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Algeria	4.60 Dz.	Iraq	115 Dz.	China	2,000 Bush.
Angola	725	Iraq	2,240	U.S.A.	125 Dz.
Bahrain	6,020	Iraq	1,000	China	1,000 Bush.
Belarus	50,871	Iraq	1,000	China	1,000 Bush.
Bulgaria	5,119	Iraq	494	Iraq	1,750 Dz.
Cambodia	5,119	Iraq	500	Saudi Arabia	2,000
Cyprus	1,639	Kuwait	500	Spain	1,150 Dz.
Croatia	10,000 Dz.	Liberia	1,200	Sweden	8,000 Dz.
Egypt	EP 275	Liberia	50,100	U.S.A.	1,000 Dz.
Finland	8,000 Fins.	Madagascar	125 Dz.	Tunisia	6,700 Dz.
France	7,000	Morocco	1,000	U.S.S.R.	11,200 Dz.
Greece	7,700 Dz.	Morocco	1,000	U.S.S.R.	11,200 Dz.
Great Britain	10,000 Dz.	Morocco	1,000	U.S.A.	1,000 Dz.
Greece	10,000 Dz.	Niger	1,000	U.S.A.	1,000 Dz.
Greece	10,000 Dz.	Nigeria	4,000	Yugoslavia	1,000 Dz.

ESTABLISHED 1887

Stingers Alter Face Of the Afghan War

U.S.-Made Missile Lifts Rebel Spirits And Forces Soviet to Change Tactics

By Michael Getler
Washington Post Service

TERI MANGEL, Pakistan — In this outpost a mile from the Afghanistan border, the talk among young Afghan resistance fighters who cross the mountains to battle Soviet forces is mostly about something very modern — the U.S.-supplied Stinger anti-aircraft missile.

"The fighting is going much better this year," said one of the guerrillas of the mujahidin, or resistance, who has been fighting for three years.

The main reason, he said, is the arrival of the Stinger, a heat-seeking missile fired by ground troops. Sources in Teri Mangel say the missile has about an 80 percent kill ratio against Soviet planes and helicopters.

"There are still very few of them here," said another guerrilla. "And only the most highly trained get to use them. We must get one plane shot. So we use them against the higher-flying jets and use rocket-propelled grenades and 12.5-mm machine guns against the low-flying planes," he said through a translator.

The Stinger has caused the Soviets to change strategy," said a third resistance fighter. "Mostly they stay in their garrisons now. Their strategy is to hold on, since they don't have air cover all the time."

According to interviews this week with resistance leaders, Western and Pakistani military experts and diplomats elsewhere in the country, the overwhelming new factor in the eight-year war in Afghanistan is the impact of the Stinger since its arrival late last year.

The mujahidin have the first model of the Stinger. More advanced versions have been developed in the United States.

Reports from Washington that the Stinger may have fallen into Iranian hands through some of the resistance groups battling the Soviet-Afghan government forces are puzzling to officials in Teri Mangel, who claim there is a good system of accountability for these weapons.

They also point out that the missile is in the inventory of other friendly countries.

There is little doubt that the Stingers have knocked down very large numbers of Soviet jets and helicopter gunships, although some Western military analysts are skeptical of claims that about 450 aircraft have been downed by all means in the past year.

There is no doubt, however, about its impact on the morale of

the mujahidin. The missile, said one Western official, has become something of a talisman, providing a sense of invulnerability.

"Stinger is the magic word," said a senior Pakistani source closely involved in tracking the war. "It gives them confidence. The mujahidin have words for everything. But they haven't coined a word for that one. They like that word, Stinger."

The English word pops out during conversations here in Peshawar, a language spoken in Pakistan and Afghanistan.

The weapon's impact in curbing Soviet offensive tactics this year seems evident. But it is not clear how long its effectiveness will last or whether the Soviet and Soviet-backed Afghan government forces eventually will develop effective countermeasures.

When the missile first arrived inside Afghanistan, sources say it was used mostly in eastern areas, close to the Pakistan border, where, presumably, operations could be monitored more easily. Now the missile is in use in the northern battlefields as well.

These sources say the Soviet and Afghan air forces are flying virtually no missions in the north these days and are being extremely cautious in any area of the country where the missile is thought to be available.

In those areas, Soviet and Afghan government forces have resorted mostly to artillery and rocket attacks against the mujahidin.

Gulbuddin Hekmatyar, leader of Hezb-i-Islami, one of the Islamic groups that make up the resistance, said during an interview in Peshawar that he believed the Russians have had such heavy losses in the past several months that they were not able to launch their regular spring and summer offensives.

"I don't see any prospect for a winter offensive," he said.

The resistance fighters have been See STINGER, Page 4



PAKISTANI CLASH — Policemen firing tear gas into a Sunni Moslem mosque in Karachi on Wednesday to quell a protest. The Sunnis were demanding a change in a procession by Shiite Moslems that passes the mosque.

Zohra Bensemra/The Associated Press

In Sri Lanka, End of Easy Assumptions

By Barbara Crossotte
New York Times Service

COLOMBO, Sri Lanka — As heavy fighting again ravages the Jaffna Peninsula of Sri Lanka, forcing people who had just begun to enjoy peace back into precarious shelters, many Sri Lankans and Indians are also witnessing the destruction of myths and the ethnic alignments they supported.

The once-solid front among the Sinhalese-majority inside and outside government is crumbling as dissension has grown over the invitation of Indian forces into the country.

And New Delhi's troops, sent as a peace-keeping force, are now combatants, resented by Tamils as well as Moslems and Sinhalese and seen by all of them as intruders.

Through more than a decade of rising ethnic tensions, culminating in four years of guerrilla war, both sides of the conflict seemed clear.

Tamil militants in the Northern and Eastern Provinces, drawn from a group representing about 15 percent of the population, were fighting for a Tamil homeland.

Armed against them were Sri Lanka's ethnic majority, the Sinhalese, who consider themselves the Tamil rebels killed 30 Indian troops in the Jaffna Peninsula. Page 4.

Tamil rebels killed 30 Indian troops in the Jaffna Peninsula. Page 4.

trolled the government and the armed forces. Off to the side stood the country's Muslim minority, regarded as an ethnic group, and Tamils in the tea plantations, unrelated by history or caste to the Jaffna Tamils.

To most Sinhalese, the sides were never equal. Behind the Tamil militants, they saw the 30 million ethnic Tamils of Tamil Nadu state across the narrow Palk Strait and beyond them a government in New

Delhi that allowed the guerrillas to train on Indian soil.

In the last few years, when Tamils died in Jaffna at the hands of Sri Lankan troops, especially in cases involving civilians, there was outrage in Madras and New Delhi. When Tamil rebels arrived for talks with Sri Lankans in foreign cities, they were escorted by Indians.

When the Sri Lankan Army started an offensive five months ago against the Tamil guerrillas of the Jaffna Peninsula, the Indians dropped relief parcels to the rebels.

Today, Indian troops are killing Tamils in Jaffna, some reportedly civilians, and the strongest of the Tamil armies, the Liberation Tigers of Tamil Eelam, has turned its guns and propaganda on the Indians.

A high government official said some Tamils

See REBELS, Page 5

2 Share Nobel Physics Prize

The Associated Press

STOCKHOLM — Georg Bednorz of West Germany and K. Alex Mueller of Switzerland were awarded the Nobel Prize in Physics on Wednesday for discovery of new superconducting materials.

A French researcher, Jean-Marie Lehn, shared the chemistry prize with Donald J. Cram and Charles J. Pedersen of the United States for work in the synthesis of molecules that can mimic important biological processes.

The winners of the physics prize, Mr. Bednorz, 37, and Mr. Mueller, 60, are researchers at the IBM Zurich Research Laboratory in Switzerland.

The chemistry research by Mr. Cram, 68, Mr. Lehn, 43, and Mr. Pedersen, 53, could be used to separate radioactive tissues from normal tissues and for the purification of molecules. It also may have future application in energy production.

In announcing the chemistry prize, the Royal Swedish Academy of Sciences cited the researchers' work in making relatively uncomplicated compounds that perform the same functions natural products.

The awards committee said that

"great progress" toward "this goal" had been made in the last 20 years, "and it is the pioneering achievement in this particular area that are now being recognized."

The committee said the scientists' work laid the foundation for an area of research that has become known as "host-guest chemistry" or "supramolecular chemistry."

"At the basis of many biological processes lies the ability of molecules to recognize each other and to form well-defined complexes," the announcement said. "In most cases, one or more compounds of low molecular weight bind to a specific region in a high-molecular-weight compound, most often a protein on a nucleic acid. The binding is very specific and selective, and the low-molecular-weight compound must fit the high like a key in a lock."

Two works published by Mr. Pedersen in 1967 became classics in the field, while Mr. Lehn and Mr. Cram later built on his studies, the announcement said.

The announcement by the Swedish Academy cited the "important breakthrough" of Mr. Bednorz and Mr. Mueller, winners of the physics committee said. "The goal is to

See NOBEL, Page 5



Georg Bednorz of West Germany, left, and K. Alex Mueller of Switzerland, winners of the Nobel physics prize, in Rüschlikon, Switzerland, after the announcement on Wednesday.

Dow Plunges 95 As U.S. Trade Gap Remains Near Record

By Stuart Auerbach
Washington Post Service

The dollar began falling in currency markets in Europe and New York soon after the figures were released.

In London, however, dealers said the decline was moderate in light of the market's disappointment in the trade figures. The dollar closed there at 1.8110 Deutsche marks, down from 1.8205 at Tuesday's close, and at 142.65 yen, down from 143.70. Earlier in the day, the dollar had been down about 1.50 pence and 1.50 yen. (Page 17)

The report also precipitated a drop in the dollar and drove up a key interest rate in the bond market.

The

August

deficit

narrowed

to

\$15.7 billion

from

July's

record

\$16.5 billion,

the

first

in

the

month

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the

year.

But

economists

had

predicted

that

the

deficit

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Allen

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dissatisfaction."

Mr.

Sin

Reagan Nominee Approved

Verity Confirmed For Cabinet Post.

By Stuart Auerbach

Washington Post Service

WASHINGTON — C. William Verity Jr., President Ronald Reagan's nominee for commerce secretary, has won confirmation after the Senate averted a filibuster threatened by rightist Republicans led by Senator Jesse Helms of North Carolina.

Mr. Verity was confirmed Tuesday by the Senate, 84-11.

Mr. Helms, angry because Mr. Verity favors increased trade with Moscow, accused the nominee of "selling the Soviets the rope with which to hang the Free World."

The filibuster threat, which had held up consideration of the Verity nomination for four weeks, was ended when the Senate voted 85-8 to end debate. The move received 25 more votes than needed, with all votes against shutting off debate coming from Republicans.

On the final confirmation vote, four Democrats — Dennis DeConcini of Arizona, Alan J. Dixon of Illinois, William Proxmire of Wisconsin and Harry M. Reid of Nevada — joined seven Republicans in opposing Mr. Verity.

Mr. Verity, 70, is the retired chairman of Armco Inc., the steel-making company that his grandfather founded in 1900. He was Mr. Reagan's choice to replace Malcolm Baldrige, who died in a horse-riding accident in July.

Mr. Verity was attacked from the start for his long-held and widely stated support of increased trade with Moscow. He has served as cochairman of the U.S.-U.S.S.R. Trade and Economic Council and has been an outspoken critic of restrictions on trade with Moscow to achieve foreign policy goals.

Mr. Verity said such restrictions, imposed by Jimmy Carter and Mr. Reagan, hurt American business without accomplishing U.S. aims.

He also has criticized trying increased emigration of Soviet Jews to relaxation of trade barriers.

While Mr. Reagan knew of these views before naming Mr. Verity, conservative Republicans seized upon them to oppose his confirmation. But the Senate Commerce Committee supported his confirmation by a 17-1 vote.

Senator Alfonse M. D'Amato, Republican of New York, argued because Mr. Verity opposes linking trade to emigration, said the nominee "fails the test" over respect for human rights.

"He does not seem to believe in the primacy of human rights," Mr. D'Amato said. "He believes in profits."

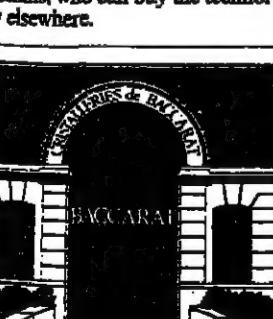
He added that Mr. Verity's confirmation "would send the Soviets the signal that the United States is willing to compromise on issues of international human rights."

Senator Helms accused Mr. Verity of threatening national security by supporting increased trade with Moscow. He said "businessmen like him" helped the Soviet military "try their willingness to sell sophisticated technology to Moscow."

The chairman of the Commerce Committee, Ernest F. Hollings, Democrat of South Carolina, and the committee's ranking Republican, John C. Danforth of Missouri, supported Mr. Verity's confirmation.

Mr. Hollings, taking the lead in the floor debate, said Mr. Verity had promised the committee that he would support Reagan administration policies on trade with the Soviet Union, including maintaining the link between trade and emigration of Soviet Jews.

Mr. Verity, moreover, told the committee that he supports controlling the sale of sophisticated technology to the Soviet Union. But Mr. Verity, as did Mr. Baldrige, believes that the degree of controls favored by the Pentagon is so stringent that they hurt the U.S. economy without affecting the Russians, who can buy the technology elsewhere.



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Los Angeles Schools to Go to Year-Round Schedule

By Jay Mathews
Washington Post Service

LOS ANGELES — The Los Angeles city board of education, responding to a flood of immigrant children, has voted to put all its schools on a year-round schedule.

The action effectively doubles the number of year-round classes in the United States and reflects a growing education crisis in much of the urban West.

The 4-3 vote Monday night after hours of impassioned debate and years of political foot-dragging, will make Los Angeles the largest year-round school district in the United States when the plan takes effect in July 1989.

Supporters say the district will become a giant laboratory to test growing interest in the year-round system as a way to relieve crowding to help learning. Educators said Los Angeles would be watched by officials at school systems throughout the nation.

Many parents and students, particularly in the more affluent neighborhoods of the San Fernando Valley, are opposed. The valley is one of the few places in the city without crowded schools. Many parents there have threatened to put their children into private schools if the new system cuts into plans for summer camp or long summer trips.

But supporters, many from Hispanic and black inner-city areas, contend that year-round schedules are the only economically practical way to cope with a continuing

influx of new students into schools that are already strained beyond capacity.

Although the exact year-round schedule has not been determined, school officials have suggested that each student would take a one-month vacation — in August, December and April — at the end of three-month semesters.

The three-month summer vacation would be abolished, although a school spokesman said a compromise summer vacation longer than one month was still possible.

The Los Angeles decision does not necessarily increase the number of school days, but it is expected to save money on new construction and allow more efficient use of existing school buildings.

With one-quarter of its students having attended schools on a 12-month schedule for several years, Los Angeles, the second-largest school system in the United States, was already at the forefront of the slow move toward year-round schooling.

"It's not fair," said Herlinda Braxton, 16, a junior at James Monroe High School in the valley community of Sepulveda. "You might want a job in the summer, but who's going to hire you for four weeks? It's stupid."

Roberta Weintraub, a school board member representing the part of the San Fernando Valley, said: "You put schools year-round on a single track and you won't have to

worry about overcrowding. There's going to be a massive pullout starting today."

Critics were particularly angered to discover that district executives were pushing the plan despite a sharp drop in the growth rate of the student population this fall. Only 2,000 of an expected 12,000 new students showed up in September, but school officials wrote this off as a temporary lull.

They said they thought the new federal immigration law had made undocumented aliens afraid to register their children.

Officials said they expected total enrollment, now about 500,000, to reach more than 700,000 in 1996. Without a year-round system, the district would have to build nine new elementary schools, one new junior high and one new high school every year to keep pace, the officials said.

"People are gradually beginning to realize that it does not make sense to keep kids away from formal education for three months every year," said Charles E. Ballinger, executive secretary of the National Association for Year-Round Education, and an official of the San Diego school system.

"Those of us in year-round education believe educators simply cannot justify that long three-month summer vacation anymore," he said. "The nine-month schedule was never designed for education in the first place. It's a 19th century agricultural-economic schedule."

Bomb at U.S. Consulate In Barcelona Injures 8

Compiled by Our Staff From Dispatches

est city, has been a target for bomb attacks by Basque and Catalan separatist guerrillas this year.

In earlier attacks on U.S. interests in Barcelona, Spanish guerrillas set off bombs outside the offices of the General Electric and Hewlett-Packard companies in the spring, causing no injuries.

The first attack was blamed on the Catalan group, Terra Lliure, or Free Land, and the second on the Basque organization ETA.

ETA is the Basque language acronym for Basque Homeland and Liberty.

The worst anti-U.S. attack in Spain occurred in 1985 when 18 persons were killed in a bomb explosion at the El Descanso restaurant, frequented by U.S. servicemen near the Torrejon air base near Madrid.

(AP, Reuters, AFP)



SCAVENGER — Looters in Miami Beach, Florida, helped themselves to television sets from cargo containers that washed ashore from a freighter following a hurricane designated Floyd that pounded southern Florida on Monday. Police officers stood by as about 400 people made off with appliances and toys that had been bound for Central America.

State Urges Long Sentence for Goetz

By Kirk Johnson
New York Times Service

NEW YORK — Bernard H. Goetz, who was exonerated in June in the shooting of four youths on a Manhattan subway train, should receive a "substantial prison sentence" for illegally using the gun he used, the Manhattan district attorney's office has recommended.

At his trial, his defense argued that Mr. Goetz shot the four youths, all of whom had criminal records, because he feared for his safety when they crowded around him and tried to rob him.

The recommendation, made in court papers filed Tuesday night, was the first public pronouncement by the state as to what penalty it would seek for Mr. Goetz, a 39-year-old electrical engineer who has no prior criminal record.

The papers also say that Mr. Goetz "suffers from longstanding emotional disorders" and that if the court does not order him imprisoned, then it should order the "appropriate treatment."

Mr. Goetz, whose case sparked a nationwide debate on self-defense and the right to bear arms,

faces a maximum of seven years in prison on the gun conviction when he is sentenced Monday by Acting Justice Stephen G. Crane in State Supreme Court in Manhattan.

Under state law, a sentence of at least one year is obligatory for a felony gun conviction, except under some circumstances.

Mr. Goetz's lawyer, Barry L. Slotnick, reacted angrily to the memorandum.

"There appears to be a continued conspiracy by the district attorney of New York County to defame Bernard Goetz in any manner that it can," Mr. Slotnick said.

Mr. Slotnick has previously argued that the gun possession conviction should be dismissed in light of Mr. Goetz's past record. Mr. Goetz has said he unsuccessfully sought a legal gun permit after he was badly beaten in a mugging by several youths in 1981.

Although the district attorney has repeatedly urged a prison sentence for Mr. Goetz, the memo also said that the "threat" posed by the defendant might also be relieved by an "indeterminate" period of psychological treatment.

Walter H. Brattain, Physicist, Dies

The Associated Press

SEATTLE — Walter H. Brattain, 85, who shared the 1956 Nobel Prize in Physics for inventing the transistor, died Tuesday at a nursing home in Seattle.

Opened Computer Era

New York Times Service

With Dr. John Bardeen and Dr. William B. Shockley, Dr. Brattain invented the transistor Dec. 23, 1947, at the American Telephone and Telegraph Co.'s Bell Laboratories in Murray Hill, New Jersey.

The electronics industry has been shaped by the invention: a tiny chip of processed crystal that made the computer possible by en-

abling miniaturization of electronic equipment.

Its first commercial use was in telephone-switching equipment in Englewood, New Jersey, in 1952.

Born in Amoy, China, where his father was a teacher at a Chinese institute for boys, Dr. Brattain was reared in Washington state, where he earned a bachelor's degree from Whitman College in Walla Walla in 1924. He obtained a master's degree from the University of Oregon and a doctorate at the University of Minnesota.

He worked at Bell from 1929 to 1967. He also lectured in physics at Harvard and the universities of Minnesota and Washington and re-

cived several honorary doctor of science degrees, including one from Whitman.

Soviet Aide Home From U.S.

United Press International

MOSCOW — Viktor P. Nikonorov, a member of the ruling Communist Party Politburo who is in charge of agriculture, returned Wednesday from the United States after a nine-day visit during which he toured farms in Iowa and met President Ronald Reagan.

To meet the problems of shoddy

raw materials, shoddy quality,

shortages of capital, abundant inflation and the absence of dynamic new industries to close the technological gap with the West and replace uneconomical jobs in smokestack industries such as steel and shipbuilding.

Add to that the burden of a \$35 billion debt to Western lenders, the largest in the East bloc, and the full thrust of forces that have pushed the Polish standard of living near the bottom of the East bloc, with the exception of Romania, becomes clear.

The list of deficits is long: lack of

Poland's Economy: The Risks of Change

By John Tagliabue
New York Times Service

WARSAW — At a time of considerable economic and political uncertainty, Poland's leadership has thrown its weight behind an ambitious program of economic change that bears broad political risks for the regime of General Wojciech Jaruzelski.

The linchpin of the program is a major overhaul of Poland's centralized wage and price system that could lead, despite government efforts to soften the shock, to the kind of sharp price increases that prompted labor violence in 1981 in military rule.

Few Poles forget that Wladyslaw Gomulka, then the Polish leader, fell over price increases at Christmastime 1970, or that price rises in 1976, to offset rising oil prices and dwindling trade in the West, ignited the strikes and unrest that toppled Edward Gierek, Mr. Gomulka's successor, and culminated in 1981 in military rule.

Polish economic planners have long been torn between what some have described as the Soviet and Hungarian models.

On the one hand, there is the tug of centralized planning for huge state-run industries; on the other hand, there is the model introduced by the Hungarian leader, Janos Kadar, in 1968, entailing a large measure of privatization to create a dynamic cell within the economy based on individual initiative.

General Jaruzelski's planners, encouraged by change in the Soviet Union under Mikhail S. Gorbachev, have clearly cast their lot with Hungarian innovation.

"Soviet perestroika has become a symbol here," Prime Minister Zbigniew Messner said, citing the Russian word for restructuring that has become a rallying cry for Soviet change.

The problems facing the Polish economy are those common to many East bloc economies. But they are deeper in Poland, and aggravated by the fact that the country's labor force is more cantankerous than its counterparts in East Germany or Czechoslovakia.

The list of deficits is long: lack of raw materials, shoddy quality, shortages of capital, abundant inflation and the absence of dynamic new industries to close the technological gap with the West and replace uneconomical jobs in smokestack industries such as steel and shipbuilding.

Add to that the burden of a \$35 billion debt to Western lenders, the largest in the East bloc, and the full thrust of forces that have pushed the Polish standard of living near the bottom of the East bloc, with the exception of Romania, becomes clear.

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Wright Says Arias Prize Stalls U.S. Contra Aid

By Neil A. Lewis
New York Times Service

WASHINGTON — Representative Jim Wright, the House speaker, said Tuesday that the awarding of the Nobel Peace Prize to President Oscar Arias Sánchez of Costa Rica on Tuesday ensured that Congress would not approve the Reagan administration's request for new aid for the Nicaraguan rebels.

"I can't conceive of providing any military aid in a time of peace," said Mr. Wright, a Texas Democrat.

He said it was his view that the Reagan administration's proposal to provide \$270 million in new aid for the rebels, known as contras, probably was destined to fail anyway. But he added, the symbolism of the award to Mr. Arias meant that "there will be no support for the contras at this time."

Nonetheless, Secretary of State George P. Shultz told the House Foreign Affairs Committee later in the day that President Ronald Reagan will demand that Congress provide new aid to the contras before Thanksgiving, Nov. 26.

Mr. Shultz argued that the aid would enhance the prospects of the agreement for which Mr. Arias was awarded the Nobel Peace Prize. The \$270 million, he said, was "necessary to support the agreement and ensure that it endures."

At the same time, some Republicans grumbled about the award to Mr. Arias. Representative Robert H. Michel of Illinois, the House Republican leader, complained that it remained to be seen whether the Arias plan would bring peace to Nicaragua.

"The award may be premature," said Mr. Michel, who has often spoken for the Reagan administration on the issue of Nicaragua.

Representative Newt Gingrich, Republican of Georgia, compared the situation to 1973, when the prize was awarded to Henry A. Kissinger, then the U.S. secretary of state, and Le Duc Tho of North Vietnam, for negotiating what was supposed to be an end to the Viet Nam War.

"This is the same committee that gave the award to Le Duc Tho two years before he turned South Vietnam into a Communist prison," Mr. Gingrich said.

Under the administration plan for aid to the contras, the money would be available for both military and nonmilitary uses.



The Associated Press
Police in Bogotá firing tear gas at demonstrators protesting the killing of a leftist leader.

Oil Firm Halting Sales to Pretoria Over Racial Policy

United Press International

HAMILTON, Bermuda — Transworld Oil Ltd., one of the world's largest oil-trading companies, will stop selling oil to South Africa because of Pretoria's racial news paper reported Wednesday.

"The change we had hoped for has not come about," John Deuss, the company's owner, told the paper. "We don't believe in sanctions," he said. "They will not work. But that does not mean we have to continue trading with South Africa."

Transworld Oil is the principal company in a multimillion-dollar oil-trading group with headquarters in Hamilton and the Netherlands and offices in 10 countries.

Bomb Explosion

Police said a bomb exploded in the town of Empangeni in South Africa's Natal Province, injuring three people, Reuters reported from Durban.

REBELS: Sri Lanka's Lines Blur

(Continued from Page 1)

ans not long ago said they found difficult and unpredictable to deal with, has suddenly become a public defender of New Delhi's policies and its troops.

The majority of Tamils are Hindus, and the Sinhalese are mostly Buddhists. But this is not a religious conflict; there are Christians in both groups.

In Sri Lanka, sympathy has strengthened among Tamils for the rebels in areas where they are fighting, to the consternation of the Indians.

Several cabinet ministers, among them officials who once advocated a more conciliatory attitude toward the Tamils here, are now critical of the Indian-Sri Lankan accord of July that brought the Indian peace-keeping force to Sri Lanka.

Around the country there have been assassinations thought to be by a radical Sinhalese nationalist group, of Sinhalese local government officials who openly support the accord.

At the same time, President Júlio R. Jayawardene, whom India

A Dutch Town Is Bombed

Reuters

THE HAGUE — A Dutch NF-5 fighter accidentally dropped a practice bomb on Delden, a small town in the eastern Netherlands, during a military exercise Wednesday, but caused no serious harm, a Defense Ministry official said.

Violence Marks Bogotá Leftist's Funeral

Compiled by Our Staff From Dispatches

BOGOTÁ — Sporadic violence broke out Tuesday night and early Wednesday as tens of thousands of mourners poured through the streets of the Colombian capital in a funeral procession for Jaime Pardo Leal, a leftist leader killed by gunmen Sunday.

Nine people have died in Bogotá since Mr. Pardo was ambushed on a mountain road 50 miles (80 kilometers) west of the capital. The authorities have ordered strict security measures, including a two-day ban on liquor sales, to prevent trouble.

On Tuesday, youths broke windows, looted shops and clashed with the police during a procession in central Bogotá. Offices and shops were closed in a one-day strike called by Colombia's main trade union organization.

In Barrancabermeja, in central Colombia, one youth was killed and another wounded in clashes Tuesday, police said.

In the capital, no major incidents were reported. Mayor Julio Cesar

Sanchez said members of Mr. Pardo's leftist Patriotic Union political party had helped maintain order.

The murder of Mr. Pardo, who won 500,000 votes in last year's presidential elections, is another in a series of political assassinations in Colombia over the past few months.

The Patriotic Union set up by the Communist Party, and the biggest guerrilla group, the Revolutionary Armed Forces of Colombia, said 460 members or sympathizers have been killed since it was created in 1985.

As presidential candidate of the Patriotic Union, Mr. Pardo, 47, helped to lead Colombia's largest guerrilla group out of the mountains and into the electoral process.

The party is tied to Revolutionary Armed Forces, and security forces were on full alert during Tuesday's funeral for a retaliatory blow by the guerrillas.

President Virgilio Barco has blamed Mr. Pardo's death on "enemies of peace and democracy." The government has appointed a special prosecutor to take charge of the case.

There are no suspects in custody, but the assumption is that Mr. Pardo was shot down by paid killers working for opponents of the plan to open Colombia's tightly controlled two-party system to a third contender for political power.

Although Mr. Pardo, a stocky attorney identified with leftist causes, received only 4.4 percent of the ballot when he ran for president last year, the Patriotic Union put 14 of its candidates in Congress and established itself as the most successful leftist party in Colombia's history. (UPI, Reuters)

FEE: A University Draws the Line

(Continued from Page 1)

The dispute between Columbia and Mr. Edelman arises as business schools are coming under increased criticism for turning out students who are more interested in getting high-paying jobs than in pursuing less lucrative but often more socially beneficial occupations.

Mr. Edelman's class is titled "Corporate Raiding: The Art of War." It is intended to teach students the methods used in a corporate takeover when a well-financed entrepreneur goes after the stock of a corporation the raider thinks is undervalued and vulnerable to a bid.

Standard superconductors are used now in limited high-tech application because they must be chilled at temperatures well below 240 degrees below zero centigrade (400 degrees below zero Fahrenheit), an expensive process.

But the work of Mr. Bednorz and Mr. Mueller pointed the way to new materials that become superconducting at higher temperatures.

In previous clashes the rebels have carried only stones and charms and have smeared their bodies with shea nut oil in the belief that it protects them against bullets.

Higher-temperature superconductors could open the door to faster computers, high-speed trains that float above their tracks and innovations in generation and transmission of electric power.

The class at Columbia was limited to 15 students, with 80 vying for the slots.

Columbia, like most top-ranked business schools, has often drawn upon businessmen to teach selective classes.

At the same time, the lines between business school faculties and the business world are often blurred.

Corporations open their doors to professors who write about them in cases that are then taught in class. Professors often supplement their income with consulting assignments with business and by maintaining strong ties to their students, who may rise to positions of power and fortune.

Recently, the University of Rochester in upstate New York was mired in a controversy over a professor's offer of a \$100,000 grant to the school.

But when presented with the alternative of having his class taken away from him, Mr. Edelman relented. On Tuesday, he and Mr. Burton appeared in the class and for about 20 minutes explained their differing views on the matter.

Mr. Edelman's students disagreed with Mr. Burton. In a straw poll, only one of the 14 students attending the class on Tuesday supported the dean's position.

NOBEL: Physics Award

(Continued from Page 1)

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THURSDAY, OCTOBER 15, 1987

INTERNATIONAL Herald Tribune

Prizing, Promoting Peace

Bernard Shaw once lamented that Nobel Prizes were like life preservers thrown long after the recipients had escaped drowning. That reproach surely doesn't apply to this year's Peace Prize if it honors, and furthers, the cause of peace in Central America.

It's perfectly true, as noted American conservatives complain, that Oslo is a long way from Central America. Doubtless the Nobel Committee of the Norwegian parliament knew it was taking a chance bestowing the prize on President Oscar Arias Sánchez of Costa Rica. After all, the regional peace plan he put forward doesn't even go into effect until Nov. 7. Still, the committee's timing makes this award especially important.

The prize goes to the elected leader of an exemplary democracy whose citizens decided four decades ago to abolish their armed forces. Costa Ricans as a people have long since earned this prize. How much better if President Ronald Reagan had said as much, instead of his grudging three words for Mr. Arias. "I congratulate him."

As those cold words suggest, the new pact needs all the outside help it can muster. It calls for cease-fires, an end to all foreign support for insurgent forces, restoration of freedoms and democratic elections in five republics. But in Nicaragua, democrats charge that the Sandinists already are advancing promises to restore full civil rights. And in Washington, Mr. Reagan vows to press for continued aid to the contra rebels, which would give the Sandinists a pretext for dishonoring, if that is their aim.

promises to democratize their government. Still, neither Managua nor Washington can ignore the plan's popularity in a region that so years for an end to civil wars and an economic rebirth. Acclaim for the plan, now enhanced by the Nobel Prize, exerts pressure on Nicaragua and blunts the campaign for renewed U.S. funding to the contras. Now Mr. Arias will have that splendid pulpit in Oslo to make his case — especially to European democracies, whose weight increasingly counts in Central America.

There remains the objection that the prize is premature or constitutes meddling by the Norwegian parliament. In 1973, the Vietnam War bled on despite the Nobel awards to Henry Kissinger and Le Duc Tho. In 1971, there were cries of foul in West Germany when Oslo bestowed its laurels on Chancellor Willy Brandt as his government was heading into elections.

Does this year's award fall into the same category? The reproach might have weight if the Norwegian parliament had tilted consistently eastward or leftward. That's not the case. Nobody in Washington carried on about timing or meddling when the prize went over Soviet protests to Andrei Sakharov in 1975, or to Lech Wałęsa of Poland, the leader of Solidarity. In 1983.

In those instances, too, the prize committee stuck its neck out, and in both cases advanced the cause of peace and freedom. Mr. Arias, his country and his peace plan deserve this prize.

— THE NEW YORK TIMES.

Alf Landon, Statesman

Alf Landon's career as a practicing politician ended more than a half-century ago when he ran for president against Franklin Roosevelt and carried only Maine and Vermont. Given the situation in 1936, Mr. Landon might have been the only member of his party capable of winning even those states; two years earlier, running for a second term as governor of Kansas, he had been the sole Republican to win gubernatorial re-election.

In any event, he went back home ("We preferred the comparatively simple but more intelligent life of Kansas to Washington," he said), built himself an uncharacteristically grand house and resumed an active life as a businessman who had made a fair amount of money drilling oil wells.

That famous defeat might have been the end of him as a public figure, but it proved instead to be a beginning. Mr. Landon became something of an elder statesman of his party. That is, his description often applied indiscriminately to a wide range of former office holders who have nothing to recommend them but their formerness, but in Mr. Landon's case it meant something both to him and to the people who consulted him.

He was not a man for committees or commissions, nor was he a political kingmaker. But he read and thought about the issues of the day, and he wasn't shy about speaking out

— THE WASHINGTON POST.

Democrats: No King, No Kingmakers

By James Reston

WASHINGTON — The Democrats are staggering into a presidential election crisis, and even the brightest and the best of them aren't coming to the aid of their party.

You would have thought that after losing four of the last five presidential elections, and after all the monkeyshines by Gary Hart, Joe Biden, Mike Dukakis and Pat Schroeder, the party's thoughtful elders would be organizing some kind of rescue operation.

But no. No emergency calls from Jimmy Carter or Fritz Mondale, the titular leaders of the party. No skull sessions in Georgetown by Pat Moynihan, Bob Strauss, Lloyd Cutler and Ed Muskie to survey the damage. And no meetings in New York by Cy Vance, Arthur Schlesinger, Ted Sorenson, George Ball and Bob McNamara to plan for the future.

It's not that they're happy with the remainders they have in the race — Dukakis, Richard Gephardt, Jesse Jackson, Albert Gore, Paul Simon and Bruce Babbitt. And it's not that they like the primary and caucus system that probably will decide their nominee at the Atlanta convention.

In fact, they distrust the system, for if the primaries and caucuses are decisive, the winner will be chosen by 16 percent of the eligible voters of the country and the other 84 percent in the non-primary and non-caucus states won't have a vote and probably won't like the result.

As if this wasn't enough to make the Democrats cudge their brains,

they face the fact that the two Republicans. Their budget deficits are a disgrace, and their foreign policy has been marked by failures and scandals. But the country is still in its fifth year of economic growth without serious inflation; unemployment is below 6 percent for the first time in 10 years and the administration is on the verge of a deal to reduce the stockpile of Soviet and American nuclear weapons for the first time since the invention of the atom bomb.

As if this wasn't enough to make the Democrats cudge their brains,



Bush's Trip Is Ending Up Letter-Perfect

By Jim Hoagland

PARIS — "This is a neuralgic subject," said warily one of the diplomats, said warily after reading my column (IHT, Oct. 8) on Vice President George Bush's recent trip to Western Europe. That was to be an under-statement. The vice president's office took to the column about the way the U.S. Navy took to those Iranian schemers who fired off a couple of tracer rounds at American helicopters and got sent to the bottom of the Gulf for their trouble.

Shortly after the column appeared, trans-Atlantic phone wires between the vice president's office in Washington and the U.S. embassies in Bonn and Paris were humming. And shortly after that, embassy officials approached their host governments with demarches that were strikingly similar. Would it be too much trouble for West German and French officials to make public comments about how successful the Bush trip had really been?

Friedhelm Ost, spokesman for Chancellor Helmut Kohl, obliged by sending off a telex to the editor (see Letters, opposite page), giving his office's view of the trip. In Paris, a Foreign Ministry official who had been called by the U.S. Embassy found occasion to praise Mr. Bush in remarks in the French Senate.

I learned of the unusual pacan for Mr. Bush in the French Senate when Ambassador Joe M. Rodgers, the wealthy Tennessee businessman sent to Paris by President Reagan in 1985, had an embassy spokesman telephone to call my attention. The spokesman also suggested that I call two French officials who had been contacted by Mr. Rodgers. They were willing to say how well Mr. Bush had performed if I asked. Mr. Rodgers and Richard Burt, the bright and ambitious young U.S. ambassador to Bonn also chipped in letters to the editor in praise of Bush.

May be Mr. Gorbachev's changes and promises and offers are nothing more than a clever shift in tactics, but maybe that transfer of power from Brezhnev and the other aging Soviet leaders to Mr. Gorbachev is a general change to a man who was born 14 years after the Soviet Revolution and was only 10 years old when Hitler invaded the U.S.S.R.

What all this means we can only guess, but it will be for the new president of the United States to probe its meaning and negotiate, if possible, a more peaceful world order. Who among the present candidates will be up to that historic task and opportunity? That is at least one of the most important questions the voters will have to consider next year, and it is certainly something the Democratic elders should be discussing right now.

What could they do? If they don't like the Democrats now on the stage, they can look in the wings. There in the shadows are several dropouts who are at least as competent as the runners. Governor Mario Cuomo of New York, for example. Presumably he didn't decide to go to Moscow to see the scenery or to Mexico to study Indian art. Then, of course, there's Senator Sam Nunn of Georgia, who is always mentioned because the only two Democratic presidents of the last generation — Carter and Lyndon Johnson — were Southerners. And there is Bill Bradley, the senator from New Jersey, and a couple of underestimated and unmentioned members of the House, Tom Foley, the Democratic majority leader from Washington, and Lee Hamilton of Indiana.

Such letters are routine. But even in this weird American political season, the image of U.S. officials seeking to enlist the help of foreign governments to gloss Mr. Bush's image is a striking commentary on the insecurities of those around the vice president, and on the use of power and position in an administration that has shown a remarkable insensitivity on this score.

It also seems to confirm a disquieting view of the Foreign Service held by a White House that has made more political appointments to large and sensitive embassies and senior policy posts in the State Department than any other in recent memory. It says buckets about what ambassadors seem to be expected to do these days, particularly if they have ambitions about cabinet-level positions in Washington. One strains to imagine how David Bruce or George Kennan would have reacted if asked to rig this kind of echo chamber.

With Mr. Burt in Washington and away from Bonn, it fell to the highly competent and professional No. 2 at the embassy, James Dobbin, to convey the word to the West Germans about the wishes of the vice president's office. Mr. Dobbin declined all comment to questions about the incident, including whether he had discussed the matter with Mr. Bush personally. Mr. Rodgers, a self-described close friend of Mr. Bush's, also was in the United States on Tuesday and not available to comment on a report that Mr. Bush had called him personally.

The point of last week's column was not that Mr. Bush had embarrassed himself in Europe. It was that this trip had been routine rather than distinguished. Away from the photo opportunities and press conferences, Mr. Bush did not break any new ground. That seemed noteworthy because he had turned in a distinguished performance during a successful trip to Europe in 1981, when alliance relations were in a much more difficult stage. Since, the dallying demands of the vice presidency seem to have diminished Mr. Bush's leadership abilities rather than to have added to them.

The same thought was put much more colorfully, and emotively, by Mr. Bush's own chief of staff, Craig Fuller, who was quoted as saying in Newsweek magazine's cover story about Mr. Bush this week: "He's emasculated by the office of the vice president." I trust Joe Rodgers and Richard Burt will soon be on the phone to Fuller to discuss his remarkable candor.

I think Mr. Fuller's imagery goes far. What is lost in serving as vice president for eight years seems to be a sense of proportion, perhaps of humor. The Washington Post

The Danger Grows in the Philippines

By Drew Middleton

WASHINGTON — A situation is developing in the Philippines that could lead to more damage to U.S. strategic interests in the Far East than anything likely to happen in the Gulf.

Every day brings new rumors of an impending coup against President Corazon Aquino's government. Soldiers and officers appear in public with their insignia worn upside down as a sign of their dissatisfaction with the government's policy toward the army and the Communist New People's Army. Colonel Gregorio Honasan, leader of the unsuccessful coup attempt in August, is still at large and apparently communicates regularly with supporters in the armed forces.

The stakes are high for the United States. Its two most important bases in the Far East, the Subic naval station and the Clark airfield, are located in the Philippines and their importance has grown with the steady expansion of the Soviet bases at Cam Ranh Bay and Da Nang in Vietnam. The leases on the U.S. bases will be the subject of negotiation in the near future. Talks will be difficult enough with the somewhat capricious Mrs. Aquino. What would they be like with a newly installed military dictatorship or with a communist regime?

The present problem has its roots in the armed forces, specifically the army. Under the military rule of Ferdinand Marcos, the army enjoyed a privileged position. Many officers were placed in civilian ministries where, in addition to enjoying a taste of power, they often enriched themselves. Now they have been returned to soldiering. A recent survey of army opinion by the University of the Philippines revealed that at least one-third of the officers interviewed felt it was

both Mr. Marcos and Mrs. Aquino, the army's arms and equipment are in very poor condition. Tank tracks fail, trucks break down, heavy weapons are largely unreliable, shoes and uniforms are scarce. Part of this is due to widespread corruption among officers and contractors. Part is due to inefficiency in distribution. Officers, however, blame these faults on the government's lack of interest in the army and its desire to talk to the communists rebels into peace rather than to defeat them.

Could the army do this? Most neutral observers think that it will take at least two years and careful supervision by a government agency to restore the army to the point where it can carry out effective, continuous operations against the communists. One report said that individual soldiers, although physically tough and brave, are poorly trained and, for

obvious reasons, have little faith in their weapons. Morale will not improve, the report said until the troops are given better material and are convinced that the importance of their campaign against the communists is recognized by Mrs. Aquino and her ministers.

On the other hand, the morale of the New People's Army is reportedly high. It is, of course, outnumbered — perhaps 23,000 strong, according to the army's estimate, compared with 60,000 combat soldiers in the regular army. But the guerrillas enjoy the advantage of all irregular forces.

They can hit where, when and what they choose, then vanish into their jungle hideouts. They also enjoy a good deal of sympathy among the peasants who, despite their early enthusiasm for Mrs. Aquino, now complain that her regime has brought few economic benefits.

Employment in the islands is running at around 40 percent. That accounts for the number of young men willing to join the army and accept its low wages. It also accounts for the number of young men in remote villages only too eager to take a rifle and join the New People's Army.

The army, especially the officers corps, is a political as well as a military organization. As long as it remains so, it will remain a danger to President Aquino's government and the stability of the Philippines.

Cleansed of politics and given the arms and training, few military men doubt that the army could whip the communists. But there are few signs that will happen. What can be expected is more coups, more instability and more danger to two vital U.S. bases.

— Drew Middleton.

Japan Plays At Charades

By William M. Stern

TOKYO — The Toshiba Machine Co. gave new meaning to the term "free trade" when it was disclosed that it had illegally shipped sophisticated milling tools to the Soviet Union. Lobbyists from the parent company, Toshiba Corp., have descended on Washington to try to remove from the omnibus trade bill a retaliatory clause that would ban the sale of all Toshiba products in the United States. But before Congress is overwhelmed with sympathy for the parent company — which apparently had no knowledge of the free trading activities of its subsidiary — let it keep in mind that Toshiba has finally returned to trade with Israel.

One of Japan's best kept secrets is that virtually none of its major trading houses nor large commercial companies do business openly with Israel. These are the same companies that have launched a large-scale lobbying effort in the United States against protective legislation, posing as the champions of free trade.

The reason for isolating Israel is simple: Most Japanese trading companies adhere to the Arab boycott, which states that any company that trades with Israel cannot sell to an Arab company. The United States and most European countries have passed laws making it illegal to comply with the boycott. Not so in Japan, and Toshiba has been one of the worst offenders. Early in 1986, the Israeli Ministry of Communications approached Toshiba to buy mail-sorting equipment. Toshiba officials told the Israeli government it did not trade with Israel. Israel eventually bought the same machines through a third party in the United States. Toshiba even warned its worldwide distributor that their franchisee would be canceled if they were found shipping products to Israel.

Toshiba is not alone. Other Japanese companies that openly discriminate against Israel include Nissan, Toyota, Mazda, Mitsui, Mitsubishi, Hitachi and Sumitomo. Tokyo publicly claims it does not exercise any influence over

the trading activities of the private sector, which supposedly acts independently of government dictates. In fact, the opposite is true.

Unofficially, the government discourages Japanese companies from trading with Israel, and in so doing it subverts the system of free trade that benefits all nations and puts other countries that refuse to abet the Arab boycott, like the United States, at a competitive disadvantage.

Japanese trade officials admit that Tokyo's strict compliance with the boycott stems from a fear that Middle East oil supplies would be cut off and a desire to increase business with Arab nations. A striking feature of Japan's policy has been the forthright explanations of why the Japanese say they cannot trade with Israel. Such admissions are rare outside Japan, since the excuses for compliance with the boycott are usually lame and deceitful.

Trade between Israel and Japan thus remains negligible in proportion to the total foreign trade of each country. Last year, Japan imported about \$300 million worth of Israeli goods, mostly uncut diamonds. Israel imported slightly less than that from Japan. Japanese exporters, when approached by potential Israeli customers, frequently say they cannot supply the desired goods. Moreover, Japanese-registered ships do not call at Israeli ports. Japan Airlines does not land in Israel and Japanese banks do not finance trade with Israel.

If the Japanese refuse, their claims to be free traders will ring hollow. As Japan takes its seat at the table of world economic powers, it must also take moral responsibility for its actions and see that fairness and decency are applied to trade.

The writer, who comments frequently on international economic issues, contributed this to The New York Times.

like Coca-Cola, Hilton, Ford and IBM called the Arabs' bluff. Today the boycott is ignored by Pacific rim countries, including Hong Kong, Taiwan and Singapore. Only Japan and South Korea follow the Arab line.

The publicity given to the recent spate of anti-Semitic books and antisemitism in general in Japan has raised fears here of a U.S. backlash against Japanese products. Ironically, a common theme in the literature warns against the economic prowess and political power of the worldwide Jewish community. If the Japanese are worried about the influence of American Jews, they may be more willing to make concessions on the boycott, but only as a public relations ploy.

The trade bill before Congress is a perfect opportunity for U.S. lawmakers to test the Japanese attitude toward free trade, toward economic morality and toward Israel. The Japanese government should be asked first to issue a public statement condemning the boycott and then to begin encouraging Japanese firms to open trade links with Israel.

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100, 75 AND 50 YEARS AGO

1887: The Nobler News

PARIS — The King of Württemberg was still winter in the south. Owing to the cholera epidemic in Italy, Queen Nathalie of Servia has postponed her departure for Florence.

Prince Louis Napoleon has returned to Mancalieri, and will shortly join his regiment in Verona. The Emperor of Austria, the King of Saxony and Servia and Prince William of Prussia have been dining together at Schlossbrunnen. The Duchess of Cumberland is leaving the asylum at Döbling (on Oct. 15) for the neighboring chateau at Pezzing. Her mental health is said to be completely restored.

1912: Roosevelt Is Shot

MILWAUKEE — Colonel Theodore Roosevelt has been shot by a Socialist, but the wound is not serious. The shooting took place near the Gilpatrick Hotel, Third Street, where Mr. Roosevelt had been resting. Mr. Roosevelt was on his way to address a

meeting when the attempt on his life was made. His assailant was seized by a bystander, but it took four police men to keep the crowd from lynching him. Mr. Roosevelt requested that the man should be brought before him, and he then asked him why he had shot him. The man, who made no reply, was then taken to the police station. Mr. Roosevelt had his wound dressed and attended the meeting and delivered his speech.

1937: Clashes in Ethiopia

ROME — Reports of troubles in Ethiopia were confirmed here for Oct. 14 with the publication of a list of 99 soldiers and 66 workmen who were killed or died there during September. Dejazmach Haile Kebbede, leader of the uprising, was captured and shot. The communists stated:

"The prompt and efficacious action of our troops has completely re-established the situation, restoring the population to their peaceful labor and liberating them from brigandage."

Bush's
Is Ending
Letter.p

The Democrats' Debates: A Lot of Puff, Little Pastry

By George F. Will

WASHINGTON — "Fast!" said the man lurking in a soiled raincoat in a dimly lit doorway. "Wanna buy an attack video — see politicians naked?" It is a tape, unedited, of Democratic candidates debating at the Kennedy Center. Buy it, but be warned: You will wear out your video cassette recorder's pause and rewind buttons as you mutter to yourself, "Surely he didn't say that!" and, reviewing, see that he did.

The front-runner, Jesse Jackson, says "Since 1973 we've lost 38 million jobs." The rap musician of American politics is into rhyming, not reasoning, and may count as "lost" any jobs that disappear as a result of economic dynamism that is causing the total number of jobs to rise ("Think of the lost jobs in the buggy-whip industry between 1900 and 1920"). In any case, in 1973, 85.4 million Americans were employed; today 112.7 million are. When Mr. Jackson says "58 cents of every federal dollar is spent on military build-up" (actually, defense is about 22 percent of the budget), his five frightened rivals sit like stumps, pretending not to notice the nonsense. Presumably they are saving their gumption for when they stand up to Mikhail Gorbachev.

Some people say it is condescending not to take Mr. Jackson seriously as the front-runner. The real condescension is in not judging him by serious standards. Not since George Wallace has there been a candidate so uninhibited by facts. Like Mr. Wallace, Mr. Jackson has the freedom that comes from the knowl-

edge that he will not be on the ticket. Mr. Jackson asked those in the Kennedy Center audience to raise their hands if they owned an imported VCR. Then he asked for the hands of those who owned an MX missile. You see, he said, "We're making what nobody's buying." The audience, overflowing with liberalism, applauded, unconscious of the racism that made them patronize Mr. Jackson rather than laugh him off stage.

The New Republic magazine, which knows that its journalistic DNA will drive to endorse one of these men 12 months hence, notes gloomily: "Jackson's positions are only slightly more egregious versions of the party consensus anyway." By "party" read "party activists."

At the Kennedy Center, Albert Gore noted that most Democratic voters, unlike most of the party's activists, leaders and presidential candidates, approved of the use of force in Grenada and against Libya. Paul Simon, who says foreign policy should be based on "caring for people," lifted his pinhole and cried "Eek!" when Mr. Gore let loose this mouse of a thought: The United States has vital interests that must be defended. This, coupled with Mr. Gore's accusation that some Democrats can "not get over the idea that America must always pull back" and preach "the politics of retreat, complacency and doubt," were denounced by Mr. Gore's rivals, and especially Mr. Simon, as divisive.

Richard Gephardt took a swing at fierceness toward the Soviet Union:



"We have got to ask" (an exquisite choice of verb) "them to get out of Afghanistan and to stop some of the things they've done. But by the same token, we've got to be willing to stop some of the things that sometimes we have done." Unable to leave tepid enough alone, Mr. Gephardt, who probably worries that some Iowa "peace" lobby will suspect him of cold warriorism, could not resist adding a dash of moral symmetry. But perhaps there is progress, of sorts, here: The "blame America first" Democrats have moderated. Now they are merely "by the same token" Democrats. There is something wrong when a

presidential candidate (Mr. Gephardt) is reduced to saying things like, "There is something wrong when the most important businessman in this country is Ivan Boesky." Part of what is wrong is the "sound bite" nature of these debates, in which a candidate (Mr. Gore) finds himself saying he wants to "take my full 30 seconds" to discuss the Middle East. Alas, a few seconds are sufficient rope for some to hang themselves with. Mike Dukakis explained that he opposes the Mideast missile because he wants the spending on conventional forces. But he went a tad too far. He said that if force is "ever used," it is apt to be conventional force, not strategic nuclear force. Evidently the Dukakis doctrine is that Mideastman probably never would be launched, so it would be a waste. That is, deterrence is not a "use." The New Republic reserves special disgust for Mr. Dukakis who, it says, "parrots the left isolationist line — not an isolationism from strength which is the style of the right, but an isolationism of weakness and abdication."

A London food critic recently described a restaurant as offering "nouvelle cuisine with the food added." Who will add food to the Democrats' lie politics? It certainly is less filling than it should be. Washington Post Writers Group.

Rodgers and Bonn Write: Hoagland Was Wrong

Regarding "He Came, He Saw and That Was It" (Oct. 8):

I was most surprised to read Jim Hoagland's column on Vice President Bush's European trip. The commentary is wrong in its facts and, I strongly believe, in its judgment of the perceptions of Mr. Bush's French interlocutors of the seriousness and substance of the discussions in Europe.

The most glaring error is the charge that Mr. Bush told the Germans one thing about the U.S. position on short-range nuclear weapons and the French something quite different. In fact, the vice president made it unmistakably clear in both Bonn and Paris that the United States has no intention of negotiating short-range weapons now. After intermediate-range nuclear weapons, our next priorities in arms control are strategic, chemical and conventional arms. We checked this question carefully with the people who were involved in the visit at the U.S. Embassy in Bonn, and they have confirmed our

understanding entirely. I do not understand how Mr. Hoagland could have been misled on this key issue. Beyond this point of fact, I believe the gloss the story put on the trip is completely unfair to the vice president. As a supporter and personal friend of Mr. Bush, I cannot pretend to be a disinterested observer. Nonetheless, I came away from every meeting the vice president held here feeling that we had had detailed and productive talks on most of the issues central to the French-American relationship: from arms control and the Soviet Union to agricultural trade and protectionism, from the Persian Gulf and terrorism to African issues and New Caledonia.

I am sure this was not just my impression. Every senior French official with whom my colleagues in the embassy and I have been in touch since the visit has expressed satisfaction with the substantive nature of the meetings. Mr. Hoagland cited an unnamed French official. I have no idea what role this person might have played — or even whether he was present at any of the discussions. . . . I have no doubt, however, that if Mr. Hoagland had talked to more of the French participants — and particularly if he had spoken to any of the principals — he would have been convinced as I am that the vice president's trip was a great success.

The discussions here contributed in a very important way to the ongoing process of in-depth consultations between French and American leaders on the subjects at the core of our relationship.

JOE M. RODGERS,
U.S. Ambassador to France
Paris

In the opinion of the government of the Federal Republic of Germany, the article by Mr. Hoagland is likely to convey a wrong impression of our assessment of Vice President Bush's visit to Bonn on Sept. 30. Above all, the alleged remark by a German representative cited in the story, to the effect that nothing had come of Mr. Bush's talks in Bonn, does not in any way tally with the actual course and result of the visit.

FRIEDHELM OST,
Government spokesman for
the Federal Republic of Germany
Bonn

Democrats in Disarray

Governor Mario Cuomo of New York, who has all the qualifications to be a strong presidential candidate, may have had good reasons some months ago for

saying he did not intend to run, but today the Democratic Party's situation is entirely different. Former Senator Gary Hart, Senator Joseph Biden and Representative Patricia Schroeder have withdrawn and there are grave doubts about whether Governor Michael Dukakis of Massachusetts is still a viable candidate. Democrats everywhere should make it clear to Governor Cuomo that he has his strong support, and that not only the Democratic Party but the country needs him.

ALFRED E. DAVIDSON.
Paris

While one may or may not agree with her political views, Representative Schroeder's case of the weeps during her announcement (IHT, Sept. 29) that she will not run for the presidency gives pause. In a world where millions go to bed each night sick or hungry or afraid, tears spilled over frustrated political ambition can be seen as nothing but sentimentality. Imagine a Golda Meir or a Margaret Thatcher crying public for such a reason!

PATRICIA GRADY-ZAPPOLA.
Paris

The Beef Down Under

The anecdote reiterated by Mark Green in "Could You Pass Such an Inspection?" (Sept. 29), could be applied to the U.S. Department of Agriculture's testing of Australian beef. Americans should ask themselves if their beef could pass the stringent inspection standards demanded of Australian beef.

DAMIEN BROWN.
Preston, Australia

It Was His Polysyllables

I was amused to see the name of William F. Buckley Jr. in the company of such distinguished authors as John Doe Pascoe, William Faulkner, John Steinbeck, E.L. Doctorow and others mentioned in the report "In FBI Files, a Literary Who's Who" (Oct. 1). Only the FBI would be capable of suspecting such a frantic reactionary as Mr. Buckley of being politically unreliable, subversive or even unconventional.

JAMES PRICE.
Gstaad, Switzerland

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The Latest Hite Herstories: Sexism on the Shallow Side

By Ellen Goodman

BOSTON — First of all, I must confess that I'm a sucker for "Can This Marriage Be Saved?" articles. You know the kind: First we get Her Story, then we get His Story. Then we get generic advice from the therapist: "What Jim and Judy need to do is learn to communicate, share their feelings and stay in therapy until we get back to them next month."

But despite a high tolerance for Tales from the Relationship Crypt, I couldn't bear the latest Hite report (IHT, Oct. 3).

MEANWHILE

Nine hundred pages of depressing correspondence entitled "Women and Love"? Nine hundred pages of Her Story, or to be specific, 4,500 Herstories? Nine hundred pages of comments on things like "Men's trashy behavior and bad manners" and why "Most women are unable to get their relationships to change?"

Each time I crawled through Shere Hite's American love desert, a barren place littered with abuse, silence and misunderstandings, to some tiny oasis of happiness, I wanted to stand up and cheer: "I am so in love with my husband. I'm in love with him because he's such fun to be with: I trust him implicitly." Atta girl, Way to go to the underdog.

Each time I heard a male voice in this all-female chorus — however disparaged by Mrs. Hite's commentary — I felt a peculiar urge to root for the underdog. There is something to be said for male patterns of a certain amount of privacy

and distance." Sure there is. I'm not entirely sure what, but there must be.

Author and polemicist, Mrs. Hite made her fame and fortune reporting on female and then on male sexuality. Her method, such as it is, is to pass out questions, turn the answers into a "study," sprinkle it liberally with her own politics, then lob the whole package into the public arena and let it explode.

Mrs. Hite is, and I suspect intends to be, less a reporter than a provocateur. As scribe of sexual skirmishes, there's no question whose side she's on. "This book is," she says in the preface, "... a celebration of each other and the greatness of women."

To achieve this celebration, Mrs. Hite gave 100,000 take-home essay questionnaires to women on the subject of their relationships. She got back answers from 4.5 percent. Assuming that discontented people are much more likely to spend their nights on 127 essay questions, these 900 pages are slanted toward the most unhappy relating women in America.

Consider the statistics of the Hite guide: 95 percent of the women say they experience emotional and psychological harassment from men in their relationships; 88 percent say men avoid talking about problems; 83 percent say men don't understand the basics of intimacy — then, perversely, 67 percent assert that men complain more than they do.

There is good reading here among these women's lives, rather like snooping through a true confession record. But there is little surprise. It is no news bulletin that women long for "communication," rich, layered talk about feelings with the men they love. It's no secret that women today suffer "relationship burnout," exhausted from carrying a work load and caring overload. Nor is it a flash that there is still a gap. Men are changing but so are women's expectations.

In my life, I assume 50 percent of the blame in any relationship. Sometimes I get off lucky. In Mrs. Hite's world, however, it is men's attitudes toward women that are causing the problem. This blanket indictment, this wholesale imbalance, distorts the value and indeed the truths spoken by many of the women.

It is too bad that neither these respondents nor Mrs. Hite give much credence to men who are trying to achieve their own internal balance: to be strong and not silent. What is missing from this "report" is what we in the news business call "the other side of the story." You don't know much about relationships until you get inside both partners. Again and again, reading a wife's lament, I wanted to hear from her "other."

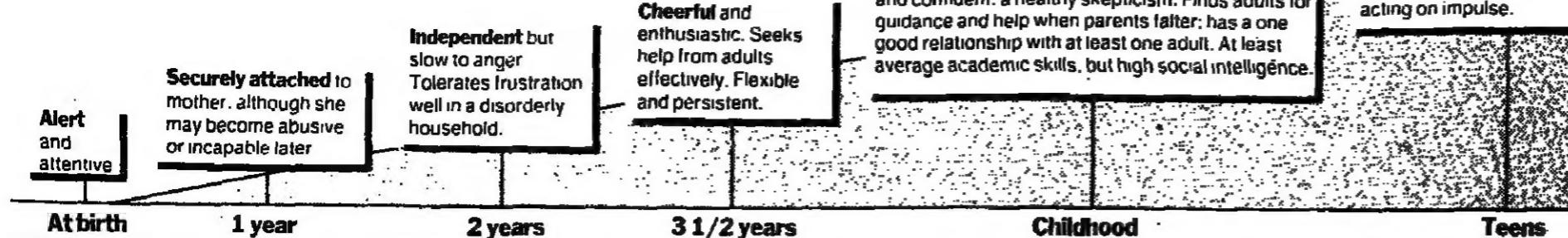
But man-bashing is not the worst of Mrs. Hite's crimes. Shallowness is. A massive collection like this ought to move the dialogue — move the terms of the discussion — between men and women. All Mrs. Hite will move are books.

Washington Post Writers Group.

SCIENCE

Success Against the Odds: A Chronology

Some children flourish despite arduous conditions. Although no one trait is common to every success story, several traits seem especially important.

**Why Some Children Thrive Despite Hardships**By Daniel Goleman
New York Times Service

A WOMAN, a paranoid schizophrenic, ate all her meals in restaurants because she was convinced someone was poisoning her food at home. Her 12-year-old daughter developed the same fears and likewise ate in restaurants. Her 10-year-old daughter would eat at

home if her father was there, but otherwise went along with her mother.

But the woman's 7-year-old son always ate at home. When a psychiatrist asked the boy why, he said with a shrug, "Well, I'm not dead yet."

After several years, the older daughter developed paranoid

schizophrenia like her mother. The younger daughter, while sharing some of her mother's fears, managed to go to college and adjust fairly well to life. But the son went on to perform brilliantly in college and in his adult life.

The young boy is one of a group of children who are holding an increasing fascination for experts on child development: brought up under the most chaotic, abusive or impoverished circumstances, they go on to thrive.

There is no single set of qualities or circumstances that characterizes such resilient children. But psychologists are finding that they stand apart from their more vulnerable siblings almost from birth. They seem to be endowed with innate characteristics that insulate them from the turmoil and pain of their families and allow them to reach out to some adult — a grandparent, teacher or family friend — who can lend crucial emotional support.

Grinding hardship will leave even these children with psychological scars. But by and large they are able to thrive in circumstances that leave other children emotionally disabled.

"Such children flourish despite horrendous conditions," said E. James Anthony, a psychiatrist at Chestnut Lodge Hospital in Rockville, Maryland, who interviewed the self-confident young boy.

Some of the most recent findings are from a study of nearly 700 children born in 1955 on the Hawaiian island of Kauai. All the children were born to impoverished families whose parents worked on sugar and pineapple plantations. One parent, and sometimes both, was alcoholic or mentally ill, and the children suffered a trauma at birth, such as oxygen deprivation or forceps delivery.

Each of these factors increases the odds against a child's emotional adjustment. And, over the years, many of the children have shown signs of psychological disturbance. But about 1 in 10 developed exceptionally well.

In findings reported last July in Tokyo at the International Society

for the Study of Behavioral Development, data from the first 30 years of the children's life highlighted the importance of their chance to find someone who could help them face the world with trust.

"Without exception, all the children who thrived had at least one person who provided them consistent emotional support — a grand-

mother, an older sister, a teacher or neighbor," said Emmy Werner, a psychologist at the University of California at Davis, who directs the study. "These are kids who are good at recruiting a substitute parent who is a good model for them."

In interviews when they were 30, many of the resilient children could recall a teacher from as early as the first grade who acted as a mentor, giving them a sense that they could achieve despite the difficulties of their childhood.

The absence of a supporting adult in a child's life is seen over and over in a range of problems, from delinquency and drug abuse to teen suicide," said Dr. Norman Garnevy, a psychologist at the University of Minnesota. Dr. Garnevy leads a network of research projects at different universities, financed by the MacArthur Foundation, which are studying the factors that protect children or put them at risk.

In addition to a winning sociability that drew people to them, most of the resilient children in the Hawaii study also had a talent or special interest that absorbed them and gave them a feeling of confidence. "They were able to use whatever skills they had well, even

if they were not terribly bright," Dr. Werner said. "For some it was simply being good at swimming or dancing, for others being able to raise prize-winning animals. But these activities offered them solace when things got tough."

By age 30, the resilient children had gotten more education and reached higher economic levels than others in the study. Dr. Werner said. Among them were an architect, a district attorney and a composer.

Another study of children from deprived and troubled homes by J. Kirk Felsman and George E. Vaillant, psychiatrists at the Dartmouth Medical School, tracked 456 men from early adolescence into middle age. It found that the more successful adults were set apart by industriousness and organization in early adolescence. Sometimes this meant working in a part-time job, taking on major chores at home or being intensely involved with a school club or team.

As younger children, they showed a dogged persistence in the face of failure. "You can see their ability to bounce back in simple tasks, like building a tower with blocks," Dr. Anthony said. "A less resilient child will stop when the tower falls, or not try to build it very high. But the resilient child keeps going each time it falls."

SOME children have protective traits virtually from the beginning of life, according to Ellen Farber, a psychologist at the State University of New York at Buffalo, and Byron Egeland, a psychologist at the University of Minnesota. Their findings appear in "The Invulnerable Child," published last month by Guilford Press.

At birth, they found, the resilient children were more alert and interested in their surroundings than the others. At the age of 1, the children had a secure and warm relationship with their mothers, an experience researchers believe may be particularly important in helping them recover from abuse in later life, even when that abuse comes from the mother.

Being easygoing, which makes children less likely to become upset, may also protect some children because it keeps them from being a target of their parent's anger. Dr. Michael Rutter, a psychiatrist at the Institute of Psychiatry in London, writing in a recent issue of the American Journal of Orthopsychiatry, notes that children with difficult temperaments are more likely to become a parent's scapegoat than their more cheerful and manageable siblings.

Dr. Rutter, one of the pioneers of research on resilient children, also reports data suggesting that, in late adolescence, the more successful children tend to plan rather than make snap decisions.

IN BRIEF**Bouncing Disks Shed Light on Eddies**

NEW YORK (NYT) — Struggling to understand the organized rolling currents that take shape in the atmosphere or in a pan of boiling water, two scientists in Brussels have managed to recreate them in a much simpler system — a computer model of 5,000 bouncing disks.

Driven by their tendency to rise when heated, liquids and gases arrange themselves into complicated structures that cannot always be predicted from the traditional laws of fluid flow. The researchers, Michel Mareschal and Edouard Kestemont of Université Libre de Bruxelles, have found that such structures can arise even in tiny, random systems of a few simulated molecules. The researchers, who reported their results in the journal Nature, are among a growing group of scientists using seemingly trivial models to shed light on the spontaneous emergence of eddies and vortices in real fluids. At first their 5,000 disks move around randomly, rebounding off each other and off the walls of their container.

The disks gain some extra speed when they happen to hit the bottom, to simulate the effect of heating a fluid from below. And a few million collisions later, even though the trajectories of each individual particle remains unpredictable, a recognizable circular motion appears.

Sleep Disorders Signal Depression

NEW YORK (UPI) — Disturbed sleep and fragmented dreams may be the first sign of an impending bout with depression, according to preliminary results of a study of divorced people.

Rosmond D. Cartwright said at an American Medical Association conference that depressed people have severe sleep disorders and often experience fragmented dreams in which they are victims of their own making.

"Their first REM (rapid eye movement) period comes too early and lasts too long," said Dr. Cartwright, a psychologist at Rush-Presbyterian-St. Luke's Medical Center in Chicago. "It is a signature of depression," she said. "So much a signature it is being considered a biological marker."

Hand and Wrist Pains on the Increase

NEW YORK (UPI) — An increasing number of workers who perform high tech-jobs and data processing are finding pain at the end of the day in their hands and wrists. The aches, tingling, numbness and burning sensations are linked to carpal tunnel syndrome, a potentially serious nerve disorder that can be disabling. The National Institute for Occupational Therapy estimates the syndrome afflicts 23,000 workers a year in the United States. Many of them lose use of their hands.

Physical therapists report hundreds of thousands of other workers — who use their hands to type, assemble parts in factories and work cash registers — have wrist pain, but not the syndrome itself. "So much of our population is entering jobs that require their hands," said Susan J. Isenhamer, a Deluth, Minnesota, physical therapist specializing in carpal tunnel syndrome. "People spend more time at video display terminals. Sophisticated electronics require delicate hand skills in assembly."

Beepers Summon Husbands to Births

MALMO, Sweden (AP) — Pregnant women in this port city now can borrow beepers from the authorities so they can page their husbands when it's time to give birth.

The Swedish national news agency TT reported that fathers sometimes do not come in time to support the women during delivery. "This is a good service. Sometimes the birth goes very fast. By giving the fathers beepers they do not miss the big moment," said Helena Andersen at the Central Maternity Ward in Malmo. The beepers are provided by the regional telecommunications administration two weeks ahead of the scheduled birth date to women that can show a maternity certificate, TT said.

Virus Linked to Cervical Cancer

BOSTON (UPI) — French researchers reported new evidence strengthening the idea that a sexually transmitted virus may be an important cause of cervical cancer in women.

Doctors at the Pasteur Institute in Paris examined the sexual partners of 480 women with genital warts or early stages of cervical cancer and found about two-thirds of the men had growths on their penises associated with a virus known as papillomavirus.

"These data strongly support the sexual transmission of potentially cancer-causing papillomaviruses and the existence of a male reservoir of such viruses," the researchers wrote, in reporting their findings in The New England Journal of Medicine.

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Hong Kong Ironies

IN THE NEWS

January: U.K. Selects Governor for Hong Kong
 Sir David Wilson, head of the Far East department in the British Foreign Office and a former Hong Kong political adviser, is appointed governor of Hong Kong. He succeeds Sir Edward Youde, who died of apparent heart failure last December. At 52, Mr. Wilson is the youngest governor in Hong Kong's 146 years as a British colony.

June: Green Paper Reviews Political Options
 The administration releases its green paper on the development of representative government in Hong Kong. The 48-page review lists the options on political change, including direct elections and universal franchise. About 300 outlets will distribute more than a million copies to citizens free of charge.

August: Refugee Tide Alarms Political Leaders
 An influx of almost 1,200 refugees from southern China re-ignites concern over Hong Kong's growing refugee population among legislators and local political leaders. By Aug. 20, Chinese and Hong Kong negotiators reached an agreement to send refugees back to China.

September: Carrion Official Acquitted of Conspiracy
 In the most extensive commercial crime prosecution in Hong Kong's history, a supreme court judge acquitted George Tam, former head of the defunct Carrion property empire, of conspiracy charges. The network of companies headed by Mr. Tam collapsed in October 1983, leaving traceable debts of more than \$1.2 billion.

October: Prime Rate Raised to 8.5%
 Hong Kong banks raise their prime lending rate by one point to 8.5 percent, the highest since May 1983. Foreign exchange dealers said the move had been expected after U.S. bank raised their prime lending rate on Oct. 7.

'Prevailing Pessimism' Takes Bloom off the Boom



Hong Kong's middle class: Losing faith?

Despite the economic surge, jittery professionals are getting out before China gets in.

By Patrick L. Smith

HONG KONG — There is a new fashion on Chinese-language television in this vibrant, unquiet territory: the farewell variety show. Half a dozen established stars, some with careers spanning decades, have chosen the hour-long special this year as the platform for their final goodbyes.

What is striking about these extravagant, glitter-filled displays is not the exuberance of both the audience and those performing for it — that has long been a feature of local entertainment — but the unself-conscious ease with which Hong Kong has come to accept the beginning of its own social disintegration.

A year ago, the key concern among Hong Kong's 5.6 million residents was whether confidence would be maintained in the period preceding 1997, when Britain's colonial leases expire and China is to regain sovereignty. By

comparison, there is much less on the table now.

More and more among those who can afford it, the question is no longer whether to leave Hong Kong, if only long enough to secure a legitimate right of abode elsewhere; it is simply a matter of when, where and how.

At the Hongkong and Shanghai Banking Corp., the territory's premier financial institution, more than 10 percent of the 600 senior Chinese executives have resigned this year to emigrate. Similar drags are evident in other industries and throughout the professions.

The slow exodus of Hong Kong's middle class — its lawyers, doctors, bankers and entrepreneurs — has begun earlier than most political analysts anticipated, although it has so far not affected an economic boom that began two years ago. It underscores, however, the fragility of Hong Kong's economic future and the extent to which residents have lost faith in China's respect for its agreement with Britain and London's willingness to defend it.

The issues confronting the territory have not changed over the past year. They remain how Hong Kong is to be governed during the 50-year period of autonomy that China has guaranteed after 1997 and how China will ultimately interpret these guarantees in a mini-constitution that is to be unveiled in three years' time.

But the core issues in the transition period — whether Hong Kong will be ruled by an elected legislature and whether the executive will answer to it — are now seen chiefly as a final test of whether Britain will put Hong Kong's interests before its bilateral relations with China.

"The prevailing pessimism is no longer even focused on the election issue," said Anthony Ng, a surgeon and a member of a local district board. "Whether we have them or not, the fear now reflects the degree of control China insists on having over Hong Kong."

China's fundamental opposition to democratic reform in Hong Kong has long been evident. Its continued pressure this year, however, has served to sharpen local demands for new democratic reform measures to be taken while the British administration remains in nominal control.

In keeping with a schedule set when the Chinese-British agreement was concluded in

Continued on page 11

Exports Support Strong Growth

HONG KONG — It would be tempting, given Hong Kong's extraordinary economic performance this year, to conclude that the territory is now living at least partly on its own political uncertainties.

Hong Kong is alone among the region's newly industrialized economies in not revamping its currency against the much-weakened U.S. dollar in recent years. Instead, it maintains a formal link between its currency and the dollar, a link instituted when political concerns threatened local confidence in late-1983.

Reflecting the gains made chiefly as a result of currency weakness, exports to Japan and the European Community have surged this year even faster than the overall growth rate of 27 percent. Financial Secretary Piers Jacobs is now predicting for Hong Kong's export trade.

But the economic forecast Mr. Jacobs disclosed last month — 12 percent growth. Hong Kong's best performance in two decades — is made up of more than just a currency advan-

tage. It also reflects stronger-than-expected demand in overseas markets, a surge in domestic consumption and the underlying competitiveness of the handful of industries — clothing and textiles, electronics, toys, watches and jewelry — that are the economy's backbone.

In some respects, Hong Kong's economy could not be healthier. Unemployment is at a record low of 1.8 percent; despite a 12 percent rise in manufacturing wages over the past year, inflation is likely to remain below 10 percent, even if it pierces the 6 percent rate Mr. Jacobs anticipates.

But there are some unmistakable signs of danger. Taken together, they suggest that Hong Kong's economy is entering a difficult transition that is likely to last at least until the end of the decade.

Chief among the challenges faced by local employers is the chronic labor shortage that has emerged in recent months. Economists are already predicting that growth next year could be cut by up to a quarter, from 11 percent to 8

percent, providing demand remains steady, because of capacity constraints.

"Our basic difficulties in the future will be internal," said Vincent Cheng, manager of economic research at the Hongkong and Shanghai Banking Corp. "The question is whether we have the labor force and the physical infrastructure to cope with rising demand."

In part, this is one of the "happy headaches" that crop up regularly in East Asia — oversized foreign reserves in Taiwan, cars that are too competitive in South Korea. More fundamentally, however, unbalanced supply and demand in the labor market suggests the extent to which Hong Kong is falling technologically behind its competitors in the region.

Reflecting official concern about the issue, the administration is slowly abandoning the laissez-faire approach to industry for which it has long been known. A new university dedi-

Continued on page 10

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L-297

Bankers Adjusting To New Standards

By Coleen Geraghty
and Patrick L. Smith

HONG KONG — When Robert Fell stepped down as Hong Kong's banking commissioner several weeks ago, the timing of the move was not lost on the territory's large community of local and foreign bankers.

Mr. Fell's term, which began three years ago this month, coincided with what was arguably the worst banking crisis in Hong Kong's financial history. It ended as the territory embraced a new era as a financial center, in which it hopes to leave behind the reputation for instability gained earlier in the decade.

"Bob put out the fires, my job is to prevent them," said Anthony W. Nicolle, Mr. Fell's successor and, like the outgoing commissioner, a veteran of the Bank of England. "The industry might be just a little less free and easy than it has been in the past."

Apart from this, banking regulators are anxious to keep pace with the increasing trend toward debt securitization in the industry. It is a somewhat difficult dimension of the financial scene, chiefly because Hong Kong's securities legislation has yet to be modernized the way that banking regulations have.

For a start, Mr. Nicolle plans to enlarge his staff as its supervisory duties expand. The current staff has not been able to keep abreast of the growth in securitized banking assets; nor has the commission developed a set of guidelines on how to treat these hybrid creatures, although a consultative paper is being prepared.

Not content to sit on the sidelines, the major banks are joining the equity boom with their own investment funds. Chase Manhattan, Standard Chartered and American Express Bank each offers a portfolio of

as merchant banks continue their efforts to replace declining demand for syndicated loans with fee-based activities. Among other things, Mr. Nicolle intends to review the three-tier system through which banks effectively graduate in terms of the business they are permitted to conduct.

The present structure is comprised of registered deposit-taking companies, or DTCs, which are permitted to accept deposits of more than \$100,000 Hong Kong dollars (\$12,830) for a minimum of three months; licensed DTCs, which can take deposits of more than \$500,000 Hong Kong dollars for any period, and commercial banks.

The intent of the system when it assumed its current form in the early 1980s was to protect small depositors. The question now is whether the system is outmoded.

"The niches aren't sufficiently related to the market as it is," Mr. Nicolle said. "A lot of DTCs don't want to take deposits; they want to be merchant banks."

Apart from this, banking regulators are anxious to keep pace with the increasing trend toward debt securitization in the industry. It is a somewhat difficult dimension of the financial scene, chiefly because Hong Kong's securities legislation has yet to be modernized the way that banking regulations have.

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A trading room at the Hong Kong branch of BNP.

The challenges now are to keep pace with change in the banking industry, as merchant banks replace declining demand for syndicated loans with fee-based activities.

funds, most of which are newly authorized in Hong Kong.

The search for new endeavors essentially reflects shrinking profits in its traditional banking activities rather than any newfound pioneer spirit. "There's less money for the banks as securitization moves into a mature phase," said Haroun Rashid, managing director of Australia and New Zealand Bank's merchant banking unit.

There is no question that Hong Kong is now overbanked in both the retail and wholesale sectors. Finding the environment

too competitive, Bank of America and Barclays shut down their retail operations over the past year, while Lloyds and the Royal Bank of Canada closed their merchant banking offices here.

Nevertheless, foreign banks continue to clamor for entry — 15 have been licensed over the past 18 months — attracted chiefly by the territory's access to China and its role as a regional financial center. Although spread evenly through Asia and Europe in 1987, half of the 10 banks that arrived last year were Japanese.

Increased liquidity at home and new money from abroad have spawned many new issues. In the last year or so, about 40 Hong Kong companies gained

Foreign Money Provides Fuel for the Bull Cycle

By Coleen Geraghty

HONG KONG — Basking in the glow of a relentless price surge, sustained foreign interest and dozens of new issues, the Hong Kong stock market seems to have finally shed its image as a punter's paradise.

Admittedly, there are speculative elements to the current boom, which has lifted the Hang Seng index by nearly 50 percent in the 15 months ended Sept. 30. But it is the dominant presence of foreign money that differentiates this bull cycle from previous ones.

Local brokers say they cannot determine the share of volume attributable to foreign investors, but it is surely a sizable proportion.

"Average daily turnover has more than doubled in the last year," said Larry Tam, director of Sun Hung Kai Research. "That's a good indication of the extent of foreign involvement. One cannot expect the Hong Kong market to grow organically at that rate."

American brokers estimate that 5 percent to 10 percent of U.S. pension fund money is invested in Hong Kong at the moment.

"This is not purely opportunistic money," said Steven Hayes, a New York-based Asian equity specialist with Hoare Govett. "Neither American nor European investors will buy a foreign market just because it's on the way up. Their decisions are fundamentally sound."

Indeed, there are solid fundamental reasons fueling the current bull cycle, among them a robust economy, booming exports and excess liquidity. Local investors have already begun driving up prices when foreign money, looking for new landing strips, swooped on several of small Asian markets.

It is no coincidence that international investors discovered Hong Kong, Singapore, the Philippines and South Korea as Japanese equities began to run out of steam.

Increased liquidity at home and new money from abroad have spawned many new issues. In the last year or so, about 40 Hong Kong companies gained

listings on the stock exchange, and 30 more are waiting to follow.

Moreover, listed companies have seized the opportunity to raise new working capital through private placements and rights issues. According to Jardine Fleming Securities, more than \$4 billion Hong Kong dollars (\$5.6 billion) has been raised in the market so far this year.

The combination of new issues and the increased value of older shares has boosted Hong Kong market capitalization to \$84 billion. And as other world markets show signs of faltering, Hong Kong continues at full speed. As recently as last month, the Hang Seng index had seven consecutive record high closes, finishing at 3,884.65 on Sept. 28.

Mr. Tam of Sun Hung Kai envisions the index reaching 4,200 by the end of the year.

Hoare Govett's local assistant director, Michael McCoy, predicts a surge to 4,500. This phase of the bull cycle has been characterized by the return of local investors in large numbers.

"People are underestimating how much local money has been pumped into the market since September," said Mr. McCoy.

Local participation, necessary as it is to a market's health, does raise the specter of a reversion to the boom-and-bust cycles of the past. Hong Kong residents are notoriously fickle. In 1973-1974, for example, speculative, overbought conditions forced the Hang Seng from 1,775 to 150 in just a few months.

Perhaps the market's greatest weakness has been its vulnerability to property cycles, which are unusually volatile in Hong Kong. Property and property-related companies account for nearly 50 percent of total market capitalization, so when the property market collapsed in 1982, the equity market also suffered.

The development of the Hong Kong market during this bull cycle has revealed other inherent flaws. One is the lack of effective legislation to deal with insider trading, which is reputedly widespread.

COLEEN GERAGHTY, formerly an associate editor at *Asian Finance*, is now a contributor to *Global Finance*, a New York-based monthly.

Bailed-Out Ship Market Appears Set on a Cautious Recovery Course

By Steve Glain

HONG KONG — Hong Kong's shipowners, who were dealt a severe blow in the mid-1980s after a binge of fleet expansion based on easy credit and overestimated demand, seem to be finally responding to the coffee and aspirin administered over the past several years.

The slow but seemingly stable recovery in Hong Kong's ship market comes only after mammoth debt restructuring exercises of two major shipping groups and an upward trend in freight rates over the past year — although they still do not equal levels achieved before the oil crises of the 1970s.

But before the industry is given a clean bill of health by the banks, which barely survived

one harrowing bout of exposure, shippers will have to prove that the revival of new building contracts are in line with long-term growth projection and not capital euphoria.

The year opened with the bailing out of Hong Kong's two ailing shipping groups, Tung and Wah Kwong. In late January, 160 creditors of C.H. Tung's shipping empire agreed to reschedule the group's \$2.6 billion debt, ending 14 months of negotiation.

The Tung empire underwent an aggressive reshuffling that forged Orient Overseas Holding Ltd. into the group's main public entity. Local response to the overhaul was encouraging, especially with the strong comeback in the container trade, OOHL's principal shipping service.

"It wouldn't surprise me to see Tung's results look bloody awful," said a local ship-

broker. "But things are looking much better this year and since they've been restructured so low, their cash flow should be fantastic."

The container trade is particularly strong between the expanding Pacific Rim and Western Europe with its strong currency advantage. Hong Kong operators said their decks will be filled from now until the end of the year due to Europe's enhanced buying power.

The signs are that from Hong Kong most suppliers are fully booked until the end of the year," said Rudy Schatz, Scandutch's Far East general manager. "We are quite optimistic."

And while cargo throughput from Asia to North America trails behind the healthy European trade, the result of a plummeting U.S. dollar, ship brokers report a slight rise in trans-Pacific freight rates.

As a result, ship values are soaring. A Hong

Kong broker said a 40,000 deadweight ton ship, sold a year ago for \$4.8 million, was recently bought for \$9.2 million.

In July, the Hong Kong office of Tiphook, an international container-rental network, said it would buy 25,000 teus (20-foot equivalent container units) for \$75 million. The deal was to absorb growth in the Far East container market, "the most profitable side of the market," a Tiphook official said.

Gearing for the container upswing, Orient Overseas Holding in July introduced four ships designed to carry 2,800 teus. It also began receiving \$20 million of new container equipment, including specialized boxes and chassis.

A month later, the company said it was seeking financing for two to three new container vessels with about 3,500 to 3,800 teu capacity. Delivery is expected by early 1989.

If sanctioning Orient Overseas Holding's

revival, creditors in August agreed to a series of forward rate agreements worth \$75 million, soothing the group's fears of a leap in interest rates. The deal was reported to be the biggest

of its kind in Hong Kong.

But despite OOHL's steady course, it is still vulnerable to adverse exchange rates of increased capacity that would diminish lead factors. And while the company's interest repayment appears sound, it will not begin tackling principal debt until late 1988.

The volatile Gulf also poses a threat, as even a slight rise in oil prices would send operational costs soaring.

But if OOHL is not yet clear of the storm, the Wah Kwong Shipping Group is still taking water. OOHL's partner in bad debt, Wah Kwong, last November announced a \$850 million restructuring.

In its 16-month annual report, Wah Kwong said it had lowered its debt to about \$331 million, not including subordinated losses. In addition, the company's creditors have agreed to much longer repayment periods.

But Wah Kwong is still reported to be in slightly more dire straits than OOHL and has been stung with news of its own overhaul. Wah Kwong's chairman, Chao Tsong-yea, said in the company's annual report that the group lapsed into an "increasingly difficult financial position over the past 15 months," worsened by overcapacity and the collapse of five of the group's charters.

Fulfilling obligations to creditors to streamline operations, Wah Kwong is paring its fleet to a core of 30 vessels, not including newly built ships. Under the terms of the agreement, 15 aging ships were put up for sale, with all but one sold.

In contrast to the rest of Hong Kong's shipping fraternity, Sir Y.K. Pao's Worldwide Shipping Agency is now reaping the benefits of its use of restraint during times of wanton principal debt until late 1988.

A former banker, Sir Y.K. trimmed his fleet during the robust 1970s anticipating the market's vengeful response. One of the few companies to survive the global shipping slump rela-

tively intact, Worldwide is now projecting long-term growth.

The Worldwide strategy is based on fixed charters to sound clients although this plan nearly backfired in 1984 when 21 of the group's 80 ships were chartered to Japan's ill-fated Sanko Lines. But most of Worldwide's clients have proved safe credit risks, owing much to Sir Y.K.'s banker instincts.

Reported to have the largest fleet in the world, Worldwide is now cautiously expanding. Next year, the group expects delivery of four very large crude carriers, ordered in 1986 for \$37 million each.

Bur Helmut Sohmen, Worldwide chairman, said the purchases do not signal a vibrant upswing in the short-term tanker market. The new buildings will not come on line until the market fully recovers, which Worldwide does not expect until 1989.

But second guessing, the tanker market can be as dicey as braving the contested waters of the Gulf. Demand for Gulf oil rose in August with the escalation of the Iran-Iraq war and fears of a cutoff in crude supply.

Chartered throughput, which Hong Kong shipowners seem to prefer to the more unpredictable spot market, rose to its highest level in 10 years.

STEVE GLAIN is the shipping correspondent for *The South China Morning Post*.

Economy: Exports Fuel Strong Growth

Continued from page 9

cated to science and technology is now set to open in the early 1990s; industries such as precision machining and electronics are also being targeted for official help in upgrading technologically.

In the meantime, local manufacturers operating in southern China are currently estimated to employ roughly 1 million workers in neighboring Guangdong province. Economists view this phenomenon partly as a safety valve

that protects the short-term growth rate and partly as a catalyst in the territory's increasing integration into the economy itself.

Potentially more serious are signs of similar personnel shortages that are beginning to emerge in service industries and corporate offices. Far earlier than most political analysts expected, the supply of executives, professionals and technicians is shrinking as a result of the apparent decline in political confidence as 1997 approaches.

Beijing's clear determination to

not the worst case among financial institutions, banking executives believe.

Good people are the scarcest asset," William Purves, Hong Kong's chairman, said in a recent interview. "Not having enough of them can be a severe limit on your ability to take on new things."

Reflecting a pattern that has become increasingly prevalent over the past several years, economists and executives expect the white-collar shortage to worsen somewhat and then improve toward the end of the decade, as local families return from abroad after establishing a permanent right of abode elsewhere.

The questions are these: How severe will the shortage grow and how well will Hong Kong weather what is effectively a transition period for much of its executive class? Some senior managers already worry about a trend toward overpromotion among middle-ranking executives, a loss of company loyalties and other problems normally associated with economies far less developed than Hong Kong's.

More critically, what percentage of the territory's entrepreneurs will join the exodus? Canada, one of several favored nations for local emigrants, issued some 1,300 visas last year to those classified as investors; the number is now growing by about 15 percent annually.

Even assuming there is no increase in this figure over the next decade, according to immigration experts, it suggests the departure of a significant proportion of the medium-sized businesses on which the economy is based by the time Beijing assumes sovereignty.

Based on medium-term projections of global economic activity — the International Monetary Fund forecast steady growth to the end of the decade in the annual report it issued last month — economists expect Hong Kong to continue growing at a pace sufficient to ameliorate its structural and politically induced difficulties.

Given the territory's relatively brief business cycle of three to five years, however, it is still too early to measure confidence by the strength of the economy.

Patrick L. Smith



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Pessimism Bloom

Continued from

London — The Chinese government's decision to impose strict controls on foreign investment in Hong Kong has sent a jolt through the city's business community, with many fearing that

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Debate on Democracy Is Far From Closed

By Frank Ching

HONG KONG — Once all but unheard of in Hong Kong, the political debate over the territory's future that began with the conclusion of the Chinese-British agreement has intensified dramatically over the past year.

As all sides appear to recognize, the next few months are likely to prove crucial in determining the kind of government that Hong Kong will live under during the next half-century and the degree of acceptance it enjoys among the territory's 5.6 million people.

In its broadest terms, the debate has revolved around a single issue from the start — the relative importance of democratic government vs. an efficient administration. It is now focused sharply on two questions: whether Hong Kong should elect at least part of its future legislature and whether the executive should be answerable to it.

Direct elections were virtually promised in a British political review of the territory that was completed in 1984, when the joint declaration was signed. Since then, however, Britain's political bind — how to demonstrate its respect for local opinion while not offending Beijing — has grown steadily more.

Sir Geoffrey Howe, the British foreign secretary, acknowledged a year ago the need for political reform to "converge" with a new constitution currently being drafted for Hong Kong under Beijing's auspices. Since then, convergence has become more or less an article of faith.

Britain issued its green paper, or discussion document, on future political changes earlier this year. Although it covers a wide range of issues, from district administration to the composition of the legislature, the paper's core question is whether there should be direct elections next year.

At present, 32 of the 56 legislative councillors are either government officials or appointees. The remainder were chosen in indirect elections two years ago, in which

The next few months are likely to prove crucial in determining the kind of government that Hong Kong will live under.

only 2.5 percent of the population voted through district boards or professional associations.

On the face of it, convergence should be a non-issue. China has been formally committed to public consultation on the Basic Law, as the new constitution will be known, from the outset. Britain's four-month consultation on the green paper represents the flip side of the same exercise.

Confidence in this process, however, is low. Even those convinced that a majority of residents favors the rapid introduction of political reforms are now braced for a British decision to delay the process.

Several surveys conducted in recent months, for instance, indicated that a majority of those polled did not believe public opinion would carry much weight in the formulation of Britain's coming white paper, despite official insistence that the assessment effort will be genuine.

"If the call for direct elections in 1988 is successful, obviously we will continue our efforts," Szeto Wah, a legislative councillor and a staunch advocate of democratic reform, said at a political rally several weeks ago. "But we are already mentally prepared for failure."

For China's part, it has stressed repeatedly, in private meetings with prominent Hong Kong figures that it is not opposed to democratic reform but that Beijing, not the colonial administration, should be seen as the source of them. That, in short, is a gamble

that few proponents of democracy are prepared to take.

Lobbying on both sides has been hard. Although opposition to reform centered on an alliance of local business leaders, Chinese officials and pro-Beijing organizations in Hong Kong, there were still a number of surprises.

For its part, the democratic lobby appeared disorganized. Although polls consistently showed that advocates of direct elections outnumbered those opposed, a small core of activists was unable to rally enough support to stage mass demonstrations.

FRANK CHING, who has served on the staffs of *The New York Times* and *The Wall Street Journal*, recently completed a book tracing his ancestral roots in China. He is now the Hong Kong bureau chief of *Triple A Incorporating Asia*, a financial monthly.

members that called upon them to voice opposition to democratic change. It was in this context, too, that the Bank of China similarly pressured its employees.

For its part, the democratic lobby appeared disorganized. Although polls consistently showed that advocates of direct elections outnumbered those opposed, a small core of activists was unable to rally enough support to stage mass demonstrations.

But the airline industry is only one of numerous sectors of the economy in which China is active. Other high-profile investments have been in longer-term infrastructural projects, finance, hotels, shipping and manufacturing. Ten years before Beijing assumes political sovereignty over Hong Kong, it already ranks as a major economic power in the territory.

China's stake in the colony is now worth as much as \$15 billion, bankers and diplomatic analysts believe. The total has swelled dramatically in recent years, in part because of the large profits mainland enterprises have made in Hong Kong's property and stock markets during the past two years of double-digit growth.

"They have the foreign exchange," a Western diplomat based in Hong Kong said.

They're not poor, scrabbling folks any longer.

Reflecting the dramatic rise in local share prices over the past 18 months, equity investments alone have yielded paper profits of \$7 billion to \$8 billion, one economic analyst estimates. That figure is almost equal to Beijing's total foreign reserves.

Xinhua, the Chinese news agency, has reported that the mainland's Hong Kong property holdings total \$1.5 billion. But Thomas Chan, a Hong Kong University economist who follows Chinese investments closely, values Beijing's portfolio at twice that amount.

Joint ventures and minority stakes in local corporations are an increasingly apparent feature of China's economic push into the colony. For many Hong Kong companies, a mainland partner is, in effect, a kind of guarantee of a prominent place in the Hong Kong of the future.

Several months ago, for instance, the Bank of East Asia, one of the largest locally owned institutions in Hong Kong, sold a 5 percent share of its issued capital to a Chinese entity — a percentage that is virtually useless on a practical level, banking analysts suggest.

Such arrangements are particularly evident in the financial sector, where the mainland's expertise is most limited. Training and experience for younger managers is one of Beijing's highest priorities in this area.

In entering into such areas as the stock market and the current property boom, however, China is just as exposed to an economic downturn as other investors. Should these markets reverse themselves, Chinese managers may be hard pressed to cover their losses, several analysts suggested.

"The level of sophistication is very thin," a Western economist said. "Some of these managers have only known a boom."

In the manufacturing sector, the Chinese stake was put last year at \$366 million in a Hong Kong government survey of foreign in-

vestment. That figure ranks China third after the United States and Japan.

Mr. Chan, of Hong Kong University, has identified 400 officially approved Chinese-controlled companies in Hong Kong through internal government documents. "But even 3,000 would be a conservative estimate," Mr. Chan quickly added.

The precise amount of Chinese involvement in Hong Kong is impossible to determine, because Hong Kong does not require disclosure of foreign investments and because Beijing does not supply statistics.

The marked increase in China's interest in Hong Kong dates to 1984, when provinces, counties and even cities began setting up their own companies here. While not all are profitable in a strict accounting sense, economists say, they serve an important function in providing their parents easy access to much-needed foreign exchange.

Some senior Hong Kong executives have begun to voice concern over the tendency among Chinese enterprises to use their new economic clout to reduce competition in industries where they have assumed a major role. Trading links between Hong Kong and China, for instance, are dominated by mainland enterprises whose only serious competition is among themselves.

Several cities in China have formed their own shipping lines that enjoy berthing and warehousing priority in trade between Hong Kong and their own ports even over the state-owned China Ocean Shipping Co.

Beijing appears to be aware of the dangers inherent in having Hong Kong's economy dominated by Chinese enterprises. Prime Minister Zhao Ziyang said recently that Chinese investment in the territory ideally should not exceed 10 percent of the total.

DANIEL SCHLESINGER writes for *Newsweek International*.



Sir Geoffrey Howe.

Chinese Entrepreneurs Moving In

By David Schlesinger

HONG KONG — When the China International Trust & Investment Corp. purchased a 12.5 percent share in Cathay Pacific Airways Ltd. earlier this year, many analysts viewed the transaction as an important indication of how Hong Kong's corporate scene is likely to evolve in coming years.

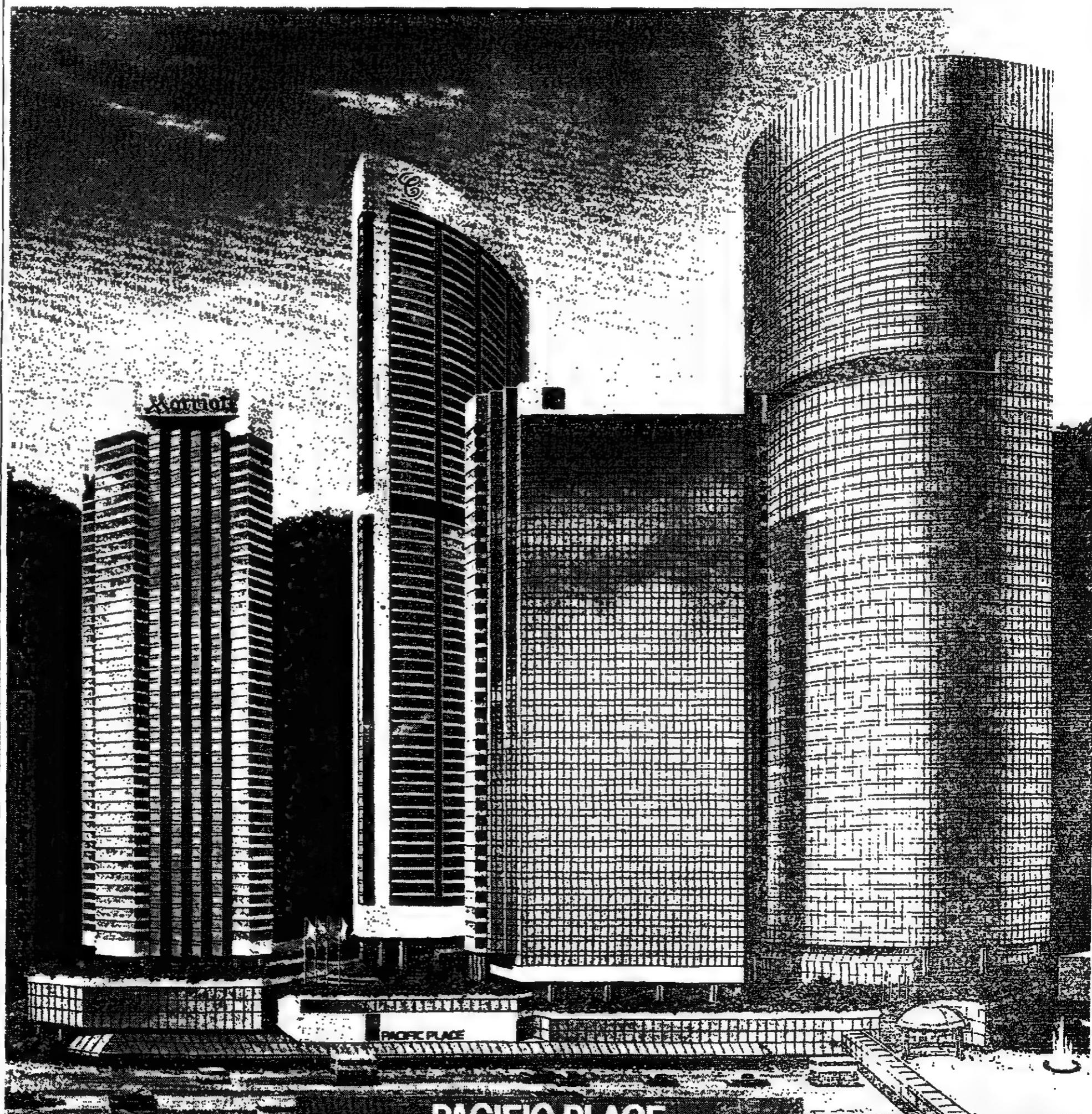
Citic, an investment vehicle founded in Beijing eight years ago, is the most aggressive commercial enterprise yet to emerge from the mainland's modernization effort. In acquiring an eighth of Cathay, Hong Kong's unofficial flag carrier, it joined forces with the Swire Pacific group, the local subsidiary of one of the territory's oldest "hongs," as traditional British trading houses are known.

It also demonstrated the degree to which China is willing to compete with itself as its economic stake in Hong Kong grows. Other mainland interests already own an influential minority share in Dragon Airlines Co. Ltd., a small carrier that began competing with Cathay two years ago.

But the airline industry is only one of numerous sectors of the economy in which China is active. Other high-profile investments have been in longer-term infrastructural projects, finance, hotels, shipping and manufacturing. Ten years before Beijing assumes political sovereignty over Hong Kong, it already ranks as a major economic power in the territory.

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Liners in Hong Kong harbor.

Pessimism Takes Bloom off Boom

Continued from page 9

ness." An article published last month in *Wide Angle*, a mainland monthly, suggested that Beijing has seriously erred in its approach to Hong Kong and has antagonized potential allies.

In practice, however, there is little indication of change in China's view of the territory or in its approach to the territory's transition period. The *Wide Angle* article, for instance, coincided with a blunt directive to the Bank of China's 10,000 employees in Hong Kong to voice opposition to direct elections.

In the Basic Law Drafting Committee, the Beijing-dominated body charged with producing Hong Kong's future constitution, the crucial issues of elections and the separation of executive and legislative power have been purposely deferred, according to political analysts, so that they can be decided after Britain assesses public responses to the proposals contained in its green paper.

What Hong Kong needs most of all, political analysts assert, is a display of commitment on Britain's part that will reverse the pessimism that is undermining the territory's social fabric and that will eventually affect the economy.

The situation has deteriorated to the point where whatever we have in the future will depend entirely on what China decides to give us," said Christine Lo, chairman of the Hong Kong Observers, an influential political association. "How can we expect the Chinese Communists to provide stability and prosperity when they have never had either?"

Is the current situation reversible? There are signs that Beijing is growing more concerned about the confrontational atmosphere it has helped create in Hong Kong, as well as the increasingly apparent "brain drain."

Xu Jiatun, Beijing's most senior representative in Hong Kong, has stressed "conciliation" in recent speeches and an end to "divisive

NYSE Most Actives				Market Sales				NYSE Index				Wednesday's NYSE Closing				AMEX Diary				NASDAQ Index				AMEX Most Actives				
Vol.	High	Low	Last	Chg.	Vol.	High	Last	Chg.	Vol.	High	Last	Chg.	Vol.	High	Last	Chg.	Vol.	High	Last	Chg.	Vol.	High	Last	Chg.	Vol.	High	Last	Chg.
USWeld	7407	585	585	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
AT&T	29202	2920	2920	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Exxon	1820	1820	1820	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
IBM	21102	21102	21102	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Citgo	21102	21102	21102	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Postal & Telecom	15720	15720	15720	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Colgate	1400	1400	1400	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Dow Jones Bond Averages	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Advanced Decimated Unchanged New Issues New Love	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Odd-Lot Trading in N.Y.	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
NYSE Diary	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Standard & Poor's Index	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
Previous NASDAQ Diary	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
AMEX Stock Index	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Dow Skids by Record 95 Points

United Press International

NEW YORK — The Dow Jones industrial average plunged a record 95.46 points on Wednesday as stocks tumbled on news of a wider-than-expected August U.S. trade deficit.

The trade gap report revived inflation and interest-rate fears and left the widely followed blue-chip average at 2,412.70.

The plunge, which exceeded the Dow's previous record loss of 91.55 points on Oct. 6, amounted to 3.9 percent of the index's value.

Declining issues outpaced advances by more than 4-to-1. Volume rose to 209.13 million shares, from 172.9 million on Tuesday.

Prices dropped in moderate trading of over-the-counter and American Stock Exchange issues.

The government said that the U.S. trade deficit narrowed to \$15.68 billion in August from \$16.47 billion in July. The financial market had expected a figure nearer \$14.5 billion.

"The markets are extremely demoralized and in disarray," said Hugh Johnson, head of the investment policy committee at First Albany Corp. "The trade data shook the confidence of the credit markets. The figures suggested that the dollar will decline further, that inflation will rise and that protective sentiment will be revived."

The market could drop as low as 2,200, he said, and the slide could last until the first quarter of 1988.

The trade news pushed the yield on the bellwether 30-year Treasury bond above 10 percent for the first time since 1985.

The double-digit yields on long-term government bonds was a very negative psychological factor," Mr. Johnson said.

Futures-linked selling, which occurred when premiums on stock-index futures narrowed enough to make it profitable for traders to buy the futures while selling the underlying cash stocks, underlined the market's disappointment.

Traders said that many investors who have made profits in the stock market this year were willing to sell stocks and put those gains into bonds yielding 10 percent.

Traders said that the downward pressure was overwhelmed positive reaction to any favorable earnings news.

"The volume does not show mass liquidation, but a matter of no bids," said Donald Crooks, an equity trader at Morgan Stanley & Co. "The way bonds reacted, there was no hope right from the opening bell." He said that the stock market could be "emotionally spent."

At 3 P.M., U.S. West was the most active NYSE-listed issue, easing 1% to 58%. Texaco followed, gaining 1% to 208. Tenco also followed, gaining 1% to 58%. Texaco is considered a stock buy back.

IBM was third, falling 3% to 145%. Other big losers included Merck, General Electric and American Express.

12 Month High Low Stock	Div. Yld. PE	\$100 High Low	Close Chg.	12 Month High Low Stock	Div. Yld. PE	\$100 High Low	Close Chg.	12 Month High Low Stock	Div. Yld. PE	\$100 High Low	Close Chg.	12 Month High Low Stock	Div. Yld. PE	\$100 High Low	Close Chg.	12 Month High Low Stock	Div. Yld. PE	\$100 High Low	Close Chg.	12 Month High Low Stock	Div. Yld. PE	\$100 High Low	Close Chg.	12 Month High Low Stock	Div. Yld. PE	\$100 High Low	Close Chg.	
A				B				C				D				E				F				G				
ABCO	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
ABC	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
ABG	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
ABG	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1
ABG	2100	2100	2100	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200	1200	-1	1200	1200</										



THURSDAY, OCTOBER 15, 1987

ECONOMIC SCENE

Domestic Rate Rise Seen In Bonn's New Tax Plan

By CARL GEWIRTZ
International Herald Tribune

PARIS — If ever there were a painless tax you would think it would be the one West Germany is planning to introduce: a kind of "soak the dishonest rich" tax, withholding at the source interest income that should be reported on annual tax returns. In fact, some bankers worry that the tax may prove irresistibly appealing to politicians.

The financial services sector is currently the most profitable in all the countries struggling to finance their budget deficits, so it is feared that West Germany's action may be picked up by the Japanese, the Americans, the French and the British, restating a tax they all abolished in 1984.

The withholding tax, aimed at helping to finance about 39 billion Deutsche marks (\$21 billion) in tax cuts planned for 1989, is expected to produce 3.5 billion DM in revenue not already collected through income taxes. The widely held assumption is that corporate investors declare their full interest income but that individuals mostly do not.

However, not all of the income will be coming from taxpayers who previously had been cheating on their tax returns. A substantial portion will be coming from non-German investors who have amassed large holdings of domestic bonds after the 1984 removal of the coupon tax. That tax had kept most foreign investors out of the domestic market.

But since then, with the dollar falling in the foreign-exchange market and the Deutsche mark climbing, foreign holdings of fixed-income DM securities have risen. At the end of last year, the latest period for which data are available, such holdings amounted to about 210 billion DM.

Assuming average annual interest on this debt is 7 percent, the foreign interest income amounts to 14.7 billion DM a year, and a 10 percent withholding would give the government 1.47 billion DM in taxes it previously was not taking in from foreigners.

IN THEORY, the government will have to give some of this back. Tax treaties that West Germany has signed with many governments should enable most foreigners to reclaim the tax. There is one very big hitch, however.

Investors these days tend to be institutions rather than individuals and some of the biggest foreign institutional investors are bond funds and insurance companies. Many of them are based in legal tax havens, such as the Cayman Islands and Bermuda, which do not have double-tax treaties with West Germany.

For them, the tax withheld is money lost, and investments in domestic DM bonds lose their attraction. The manager of one such bond fund said, "We have no choice, we have to sell and find substitutes."

Another group of institutional investors are pension funds, which normally do not pay tax. Their investment earnings are passed to the beneficiaries of these plans, who do pay tax. How the DM investments of these foreign institutions will be treated under the tax law have not yet been spelled out.

The bottom line is that many experts fear that the new tax will drive foreign investors as well as domestic investors out of the domestic DM bond market. With less money available for investment, the thinking continues, domestic interest rates will be driven higher.

At a minimum, bankers assume domestic rates will have to rise by at least an amount equal to the withholding tax. As long-term rates are now currently around 7 percent, that means an increase to at least 7.7 percent.

If the level of public financing last year is a good barometer, about \$8 billion in new public-sector gross debt can be expected this year. Last year also saw about \$8 billion DM in bonds issued

See TAX, Page 17

Currency Rates

Cross Rates									
	S	D.M.	F.F.	L.L.	Gdr.	B.P.	S.E.	Yen	Oct. 14
Asterdam	2.0285	1.1202	4.2777	1.1569	—	5.4173	1.3862	1.2046	
Brussels	2.149	1.2326	4.2785	2.0851	18.0484	5.4252	1.3888	1.2056	
Frankfurt	1.829	1.099	4.2625	1.1366	—	5.3888	1.3843	1.2045	
London (B)	1.8453	—	2.995	1.9763	2.1465	3.2715	0.9235	0.9115	
Munich	1.7740	1.2142	4.2785	1.1366	—	5.4173	1.3862	1.2046	
New York (C)	1.1085	1.085	1.2056	1.2056	1.2056	1.2056	1.2056	1.2056	
Paris	1.0233	1.0755	2.2713	1.2056	1.2056	1.2056	1.2056	1.2056	
Tokyo	14.10	20.84	70.28	22.74	0.1997	70.21	20.87	95.48	
Zurich	1.801	2.0583	0.8929	0.2499	0.1149	0.2499	0.3062	—	
1 ECU	1.1482	0.6722	2.0777	0.9254	0.9254	2.0777	0.6722	0.6722	
1 Lira	1.0223	0.5412	1.2056	1.2056	1.2056	1.2056	1.2056	1.2056	
Currencies in London, Tokyo and Zurich. Ratios in other centers. New York rates of 4.2785. a: Commercial franc; b: To buy one souther; c: To buy one souther; d: Units of 100; f: N.O.D. not quoted; n.a.: not available.									

Forward Rates

Current	30-day	45-day	90-day	Currency	Per S				
French franc	1.207	1.207	1.207	Swiss franc	1.1220	1.1220	1.1220	1.1220	1.1220
German mark	1.237	1.2418	1.2429	Deutsche mark	1.207	1.207	1.207	1.207	1.207
Japanese yen	1.804	1.7982	1.7919	Yen	1.2056	1.2056	1.2056	1.2056	1.2056
Others	—	—	—	Others	—	—	—	—	—

Sources: Interbank Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); BAI (London); Royal Dutch; Gaspari (Milan). Other data from Reuters and AP.

Interest Rates

Eurocurrency Deposits									
United States	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	Oct. 14
Discount rate	8	8	8	8	8	8	8	8	
Prime rate	9	9	9	9	9	9	9	9	
Federal funds	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	
Commercial paper	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	
3-month Treasury bills	7.11	7.22	7.22	7.22	7.22	7.22	7.22	7.22	
6-month Treasury bills	7.53	7.57	7.57	7.57	7.57	7.57	7.57	7.57	
2-month CDs	7.54	7.56	7.56	7.56	7.56	7.56	7.56	7.56	
3-month CDs	8.14	8.16	8.16	8.16	8.16	8.16	8.16	8.16	

Asian Dollar Deposits									
United States	1 month	3 months	6 months	1 year	2 years	3 years	5 years	7 years	Oct. 14
Discount rate	8	8	8	8	8	8	8	8	
Prime rate	9	9	9	9	9	9	9	9	
Federal funds	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	
Commercial paper	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	
3-month Treasury bills	7.11	7.22	7.22	7.22	7.22	7.22	7.22	7.22	
6-month Treasury bills	7.53	7.57	7.57	7.57	7.57	7.57	7.57	7.57	
2-month CDs	7.54	7.56	7.56	7.56	7.56	7.56	7.56	7.56	
3-month CDs	8.14	8.16	8.16	8.16	8.16	8.16	8.16	8.16	

Sources: Morgan Guaranty (London, SF, Pound, FF); Lloyd's (ECU); Reuters

SDR: Rates applicable to interbank deposits of \$1 million minimum (or equivalent).

U.S. Money Market Funds

U.S. Money Market Funds									
Oct. 14	30-day	60-day	90-day	Currency	Per S				
Merrill Lynch Ready Assets	2.1216	2.1216	2.1216	—	—	—	—	—	—
30-day average yield:	6.29	6.29	6.29	—	—	—	—	—	—
Telerepo Interest Rate Index:	8.67	8.67	8.67	—	—	—	—	—	—
Source: Merrill Lynch, Telerepo.									

Gold

Gold									
Oct. 14	A.M.	P.M.	Ch'ns	—	—	—	—	—	

BUSINESS ROUNDUP**Chemical Posts Loss Of \$66.4 Million After Restructuring Write-Off**

Reuters

NEW YORK — Chemical New York Corp., the fourth-largest U.S. bank holding company, said Wednesday that it had a net loss of \$66.4 million in the third quarter after a one-time charge related to a restructuring.

The result compared with a profit of \$99.1 million, or a \$1.87 a share, in the third quarter of 1986.

Chemical had projected the loss last month in announcing that it was taking a \$135 million pretax charge to cover severance pay and other expenses linked to reductions in its work force.

Meanwhile, Chemical's Canadi-

an unit said Wednesday that it was halting its securities trading and that it had shifted its foreign exchange trading to Chemical Bank in New York, the holding company's principal subsidiary.

"There is much more economy of scale if you do some of those activities out of New York as opposed to Toronto," said Peter Pollack, Chemical Canada's president. He said it was unclear how many of the Canadian bank's 94 employees would be affected by the move.

Chemical's global restructuring includes the sale of some businesses, a reduction in its overseas operations and the closing of a number of domestic retail branches. Ten percent of the staff, or about 2,100 employees, will be reduced through attrition, layoffs and voluntary retirement.

The company has said that the restructuring will boost its earnings by about \$150 million a year, with the impact of some of its actions to be reflected in its 1987 results.

The operations of Texas Commerce Bancshares Inc. of Houston, which merged with Chemical in May, were not included in the restructuring.

In addition to the \$135 million charge, Chemical said that the third-quarter loss resulted from higher non-interest expenses and lower gains on sales of investment securities.

Those factors were offset somewhat by an increase in net interest income, other income fees from banking services and profits from currency trading, as well as a smaller provision for loan losses.

For the nine months ended Sept. 30, Chemical posted a loss of \$1.08 billion, compared with a \$300 million profit in the year-earlier period.

Control Data Unit to Unveil Low-Priced Supercomputers

By Jacques Neher

Special to the Herald Tribune

PARIS — ETA Systems Inc., a subsidiary of Control Data Corp., is expected to unveil a line of low-priced supercomputers on Thursday in presentations planned in Paris and New York.

Industry analysts predicted that ETA would introduce two or three high-performance supercomputers that would be priced in the \$1 million to \$2 million range, a market segment that currently does not exist.

They said the line would help ETA compete against Cray Research Inc. in the United States, the world's pre-eminent maker of supercomputers, in addition to three Japanese companies that market the units. Supercomputers, typically priced from \$2.5 million to \$20 million, are used for scientific and engineering applications that require immense number-crunching abilities.

The new line, code-named Piper, is expected to fill the gap between the high-end supercomputers and so-called mini-supercomputers, which are priced from \$100,000.

ETA, a company formed by Control Data in 1984 to develop supercomputers, in April introduced its first high-end product, the ETA-10, priced at around \$12.5 million. The machine is designed to process 10 billion calculations a second.

So far, ETA has sold six ETA-10s, mostly to universities and weather forecasting services, but it has completed only one installation, at Florida State University. A seventh order is expected to be announced on Thursday, by the Tokyo Institute of Technology.

While the ETA-10's processors need to be immersed in liquid nitrogen at minus 195 degrees centigrade (minus 320 Fahrenheit) to keep them running efficiently, the new line is expected to use similar processors along with an air-cooling system.

"ETA's strategy is to toss out a fitness to get as many people as possible into ETA's computer architecture so that they may eventually migrate up to the ETA-10," said Gary Smaby, who follows the supercomputer industry for the Minneapolis stockbrokerage firm of Price Jaffray & Hopwood Inc. ETA and Cray are both based in that city.

Fokker Shares Plunge 14%

United Press International

THE HAGUE — Trading in Fokker NV resumed Wednesday on the Amsterdam Stock Exchange, and shares plunged 7 guilders to 43 guilders (\$21), or 14% of their value, after being suspended Tuesday. The aircraft maker is seeking support from banks and the Dutch government.

Domino Effect

Just as the crash-and-depression theorists were attracting attention in late September, Ford decided to spend \$900 million on a computer integrated into the already multi-billion-dollar Ford Motor Co. In October, the auto giant was among the companies which also decided to take this step; and now watch the domino effect take over as America beats the bands via total automation. Write, phone or telex for complimentary coverage.

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Bull's President Says Dip in Profit and Sales Is a Temporary Problem

Reuters

PARIS — Compagnie des Machines Bull, France's government-owned computer maker, is on course to a stronger balance sheet despite lower first-half profits and a continued weak short-term sales outlook, according to the group's president, Jacques Stern.

In an interview, Mr. Stern acknowledged that this year's sales are below target. "We fixed a target range for growth in 1987 at the beginning of the year," he said, "and know now that we will not be within the lower limit."

But "once out of this phase, two or three years on," he added, "we will move into a period of exceptional growth."

Bull's profit plunged to 36 million francs (just under \$6 million) in the first

half from 144 million francs in the like 1986 period, although revenue, at 7.82 billion francs, was barely changed from 7.85 billion.

Bull, nationalized in 1982, was restructured by the French government as its high-technology flagship and, since then, the group has slowly pulled out of the red. In 1986, it showed a profit of 271 million francs, up 146 percent from 1985 and a strong reversal from a loss of 625 million francs in 1983. It also made a bid for a bigger share of the world market this year when it formed a joint venture with Honeywell Inc.'s Information Systems division and NEC Corp.

But Mr. Stern said the growth had slackened in the first half of this year because of a sales slowdown in France,

which accounts for two-thirds of revenue. He attributed this slowdown in demand, in turn, to changes in the domestic computer industry.

First came batch processing when computers were isolated in their functions and worked on one load of information at a time. The second generation brought computers "on-line," linking individual machines to a central system.

"Now we're evolving towards the generation of information distribution, where all systems participate in a network," Mr. Stern said. But the continued lack of internationally accepted standards for this development is slowing down the entire industry, he warned.

Once an international information net-

work is built, he added, demand will explode.

In the meantime, Mr. Stern said, Bull will continue to pursue its strategy of aiming at a more solid financial base.

"The evolution of both the market and the technology make us think our long-term strategy is right," said the man who has headed Bull since 1982 and is credited with its turnaround. "In spite of the uncertainties of the market, we have to keep our sang-froid."

An important factor in that plan has been recapitalization. From 1983 to 1986, it received 3.7 billion francs from the state.

This, together with Bull's improved cash flow, reduced Bull's debt-to-equity

ratio to 1.6 last year from 8 in 1983. "Our aim is a ratio of 1 by 1990 and we should reach it," Mr. Stern said.

The improvement in Bull's balance sheet could bring privatization closer, but Mr. Stern rules out an immediate public offering. The group appears on the list of 65 companies due to be privatized by Jacques Chirac's government, but no date has yet been set for a sale.

Meanwhile Bull is preparing for a fuller presence on stock markets.

In March, the group issued an 800 million franc stock-option bond on financial markets, shortly after the government established a "golden share" clause on Bull shares which retains state control over the company.

An electronic stock market. An international network of computers through which shares are electronically traded with incredible speed.

The market is NASDAQ, and the network was built with Unisys equipment. The National Association of Securities Dealers

Automatic Quotation

system was founded in 1971. By 1978, daily volume was 11 million shares.

Now, in 1987, an average of 155 million shares a day are traded on a network of 3,000 terminals over a 6 million square mile trading floor. Uptime for the central Unisys computer is 99.92%.

"You can't leave that kind of network growth to chance. Build too fast and you waste money. Too

slowly and you compromise service," says Sam Vail. His Unisys team is responsible for helping NASDAQ plan and manage the network growth.

"We've been through three generations of equipment without once stopping for software conversions," Sam proudly points out. "Unisys systems grow right alongside the customer. I guess that's what the power of 2 means."

Unisys and NASDAQ. The power of 2.

"We kept NASDAQ running nonstop through three major upgrades."

Sam Vail, Account Executive, Unisys.

**Colgate Plans Streamlining, Big Write-Off**

The Associated Press

NEW YORK — Colgate-Palmolive Co., a leading U.S. maker of soap and health care products, unveiled a restructuring plan Wednesday under which it will take a \$211 million pretax charge, sell two businesses, close six factories and eliminate 600 jobs.

The company said that the restructuring would result in an unspecified loss for the third quarter ended Sept. 30 but not necessarily a loss for the full year. Colgate reported a profit of \$48.1 million in the third quarter of 1986.

Colgate said the job cuts would affect operations across the United States. Its Kendall division will sell two fiber units for about \$200 million.

The Fiber Products division, which makes nonwoven fabrics for consumer and industrial use, will be sold to International Paper Co. In addition, Kendall will sell to its partner, Freudenberg Group of West Germany, Kendall's interest in Lutratil Co., which makes nonwoven products for industry.

Colgate will reconfigure 30 plants worldwide to streamline its manufacturing. Of those, six plants will be closed, but the statement did not specify their locations.

The company said that efforts to reduce costs over the past three years had exceeded its expectations, but that "maintaining momentum is vital."

Fokker Shares Plunge 14%

United Press International

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DP Weekly net asset value on
Leveraged Capital Holdings N.V.
on 12-10-1987 US \$308.37

Listed on the Amsterdam Stock Exchange

Information:
Parsian, Holding & Person N.V.
Herengracht 214, 1016 BS Amsterdam.
Tel. +31-20-211188.

DP Weekly net asset value on
Energy Resources Growth Fund
on 9-10-1987 US \$43.17

Listed on the Amsterdam Stock Exchange

Information:
Parsian, Holding & Person N.V.
Herengracht 214,
1016 BS Amsterdam.
Tel. +31-20-211188.

UNISYS
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Wednesday's
AMEX
Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.
Via The Associated Press

Via The Associated Press

ADVERTISEMENT **Expectations Supplied by Funds Listed**) 14th Oct 1987

INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 14th Oct. 1987

The marginal symbols indicate frequency of quotations supplied: (d) = daily; (w) = weekly; (b) = bi-monthly; (r) = regularly; (I) = irregularly.

(Continued on next page)

Floating-Rate Notes

A5 - Australian Dollars; B/F - Belgian Francs; C5 - Canadian Dollars; DM - Deutsche Mark; ECU - European Currency Unit; FF - French Francs; FL - Dutch Florin; LIt - Italian Lira; LF - Luxembourgish Francs; Pounds; SF - Swiss Francs; Yen - 'd' = divided; + - Offer Price; bid change; N/A - Not Available; N/C - Not Communicated; a - New; S - suspended; S/S - Stock Settlement; - - Ex-Dividend; -- Ex-Rate; @ - Offer Price incl. 3% premium charge; * - Paris stock exchange; ++ - Amsterdam stock exchange; m - misquoted earlier

Be sure that your fund is listed in this space daily. Telex Matthew GREENE at 613595F for further information.

Be sure that your fund is listed in this space daily. Telex Matthew GREENE at 613595F for further information.

CURRENCY MARKETS

Dollar Weakens on U.S. Trade Data

Reuters

LONDON — The dollar ended lower Wednesday in Europe after the release of U.S. trade data, but most dealers said that its fall was remarkably moderate considering the extent of the \$15.68 billion monthly deficit.

Although the August shortfall in merchandise trade was below July's record level of \$16.47 billion, it was much worse than a median forecast of \$14.5 billion, dealers said.

In London, the dollar shed about 1.50 West German pfennigs and 1.50 Japanese yen after the news. But it recovered some of its losses to end at 1,8110 Deutsche marks, down from 1,8205 Tuesday, and at 142.65 yen, down from 143.70.

The dollar also lost ground against the British pound, which closed at \$1.6535, against \$1.6470 on Tuesday.

The dollar hit lows at 1.8070 DM and 142.35 yen during the afternoon but found strong technical support around those levels. Fears of central bank intervention also helped the currency, dealers said, noting that intervention was not evident.

Activity dwindled afterward. "People here do not know what to do," said the chief dealer at one U.S. bank said. "If a number like that can't push the dollar down, what can?" he added.

But traders seeking a decline in the dollar did not give up hope. "We might see the dollar dipping overnight, when the market is less liquid than when European and American traders are both in," one U.S. dealer said.

He predicted that the dollar in the next few weeks would trade in lower ranges, of 1.78 to 1.83 DM and 139 to 144 yen.

Another noted that Japan's trade report last month showed a widening of its surplus with the United States. "But for the moment, central banks are winning," he said.

Others predicted the dollar would continue to find strong support at current levels. "There are a lot of people short on dollars, ready

London Dollar Rates	
Closing	WED.
Deutsche mark	1,8110
U.S. dollar	1.6535
Japanese yen	142.65
Swiss franc	1.5910
French franc	4,6235
Source: Reuters	4,6235

to do some bargain hunting," one said.

In New York, the dollar was lower at midsession on the U.S. trade data. But dealers said that the dollar was steady at the lower levels, having garnered some strength from technical support and worried about possible central bank intervention.

Still, the August deficit encouraged bearish sentiment.

"We will test the down side," one dealer said. "It's just a matter of time." The dollar was trading at 1.81075 DM, down from 1.82250 DM at Tuesday's close, and at 142.55 yen, down from 143.900.

TRADE: U.S. Deficit Shrinks but Drives Down Stocks

(Continued from Page 1) figures are a bit better than the market is showing." He said that difference "reflects the way financial markets and the industrial economy have become decoupled and are moving on somewhat different paths."

The Commerce Department said imports fell 4.2 percent to \$35.9 billion, nearly all of it in manufactured goods and agricultural products. Exports also fell, by 3.7 percent to \$30.2 billion, their lowest level since February, the report said.

Mr. Sinoia pointed to "encouraging aspects" in the August numbers, including a \$1.4 billion drop in imports of manufactured products. The deficit also lessened with all but three major trading U.S. partners: Canada, from \$645 million in July to \$339 million in August; Brazil, from \$87

million to \$526 million, and Venezuela, from \$207 million to \$272 million.

The \$4.9 billion deficit with Japan, down from \$5.1 billion in July, remained the United States' largest. Other large trade deficits were Western Europe, \$2.5 billion, down from \$3.9 billion; South Korea, \$900 million, down from \$1.1 billion, and Hong Kong, \$719 million, down slightly from July's \$725 million. The deficit with Taiwan was \$1.79 billion, down from \$1.83 billion. (Page 13.)

The Reagan administration, trying to put the best face on the trade picture, pointed to increases in the volume of U.S. exports, as measured by dollars adjusted to reflect a constant value and seasonal changes, as evidence of an improvement.

"The real trade balance, which reflects our growth in production and employment, has improved sharply since the third quarter of

1986 and should continue to make strong gains," said S. Bruce Smart Jr., the acting secretary of commerce.

Clayton K. Yeutter, the U.S. trade representative, said, "The trade deficit is still too high. We will continue working with our trading partners to reduce barriers and to improve fundamental economic conditions that contribute to global trade imbalances."

Mr. Jasnowski said reports from members of his association showed that the manufacturing sector of the economy was coming back and improvements in trade were spurring a modest firming of growth.

Although total August exports declined \$800 million, most of the reduction came in one sector: the volatile international market in aircraft sales, which fell by \$600 million. Without that decline, he said, there would have been a \$400 million improvement in manufacturing exports.

Although the Tokyo stock market has hit record highs and might offer a worthy alternative, its increases have been a bit too dramatic, prompting concerns of a crash.

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BOOKS

A DESIGN FOR LIVING

By Lillian Langseth-Christensen. 214 pages. \$18.95. Viking Inc., 40 West 23d Street, New York, N.Y. 10010.

Reviewed by Judith Weinraub

WHAT A rare occasion it is when an art style is hailed as a classic, let alone the kind that inspires other artists and then continues to be imitated by later generations. Throughout the history of Western art, there have been few such genuinely classic styles. And when one has emerged, it has usually taken a while to reach the public consciousness.

Most often these landmark styles have presented themselves in architecture or sculpture — monumental arts that are created to last, art forms that are susceptible to specific canons of proportion that can be a creative catalyst for future generations. But rarely have the decoré or applied arts — the worlds of furniture, fabric and fashion, of jewelry, metalwork, ceramics and glass — provided inspiration for major artistic revivals. And even more rarely has all this taken place in less than a century.

That is precisely what has happened, however, with the bewitching designs created by an avant-garde group of artists who lived and worked in Vienna during the first quarter of the 20th century.

In recent years the artists of that period — primarily the architect and designer Josef Hoffmann, but also the painters Gustav Klimt and Egon Schiele, and the entire group of master craftsmen known as the Wiener Werkstätte — have been virtually canonized. Major museums have mounted exhibitions of their work. Furniture and fabric designers have not only reproduced line for line copies of some of their original groundbreaking designs but have also sought out these originals for inspiration, approaching them with a near-iconic fervor.

As a result, at least partially, of today's reverential attitude, the artists of that relatively recent time somehow seem hard to grasp hold of. And despite the attention given them and their work, they are too new to be part of the common currency of traditional art history.

Lillian Langseth-Christensen's lively memoir

of her days as a student of design in Vienna in the 1920s under the awe-inspiring tutelage of Hoffmann redresses that problem with gusto.

A precocious and passionate student of design, Lillian, the daughter of Austrian parents who more or less inadvertently emigrated to New York in 1904, got it into her head when she was 10 and in the third grade that her only acceptable destiny was to go to Vienna to study with Hoffmann. By the time she was 14, she was ensconced there and would have stayed for who knows how long, had her only brother's untimely death from typhoid not required her return to New York three years later.

Her parents, a seemingly traditional upper middle-class European couple determined to maintain their cultural standards in the middle of Manhattan, had already set an unswervingly nonconformist example. Her mother, while awaiting approval of a wedding date from her future mother-in-law, had simply taken off from Austria in 1904 and impulsively sailed to visit a friend in New York. Her father took the next steamer. Described by Christensen as a "millionaire manqué," he began his life in the United States in the years just before World War I, but turbulent politics did not prevent him from continuing to make yearly trips to Europe to purchase clothes for his wife (to his taste, not necessarily hers), to see his mother and to place orders for his beloved Hungarian Tokay.

Once established in New York, the family created a home interior that was equally daring. For example, "I was proud of our library," Christensen recalls. "It contained no stained glass, no paintings on easels draped with Spanish shawls, no fur pillows and no accessories to show where we had been such as Leaning Tower-of-Pisa Lamps, bronze Eiffel Towers, or Lions of Lucerne Clocks. It was, to my mind, all in the best of taste."

Christensen's interest in Josef Hoffmann and the Wiener Werkstätte was stimulated by hours poring over the illustrations in her favorite magazine, Deutsche Kunst und Dekoration — not customary reading for a 10-year-old girl but somehow predictable for her.

Christensen's memoir guides the reader with amazing visual precision from her childhood in Europe and New York through her design training in Vienna. What gives her story its vitality is her astonishing ability to recall detail — about her studies, the cultural life and architecture of the period, and of course the people whose talents had drawn her to Vienna in the first place.

She also manages to portray her own experience within the framework of a handy summary of Vienna's artistic milieu from the middle of the 19th century through the first quarter of the 20th, in itself no easy task. A great deal was brewing in Vienna over that time.

But for Christensen, it is the — to his students — distant, elusive, immensely far-sighted Hoffmann who remains the magnet that drew her to Vienna and the emotional center of her recollections. Her evocative portrait of him and his world is compelling reading for any student of contemporary design.

Judith Weinraub is on the staff of The Washington Post.

Solution to Previous Puzzle

COLE	DRAFT	CHAR
ABAD	EAGER	AERY
BLONDIE	LOVING	CARE
FEATURES	APPLIES	
IRES	STOAT	
APPPOSE	STITCHES	
BERNE	SHINS	IRA
EROS	CLING	MEAL
LIT	POINT	MASSE
ELEGANCE	TASTEIS	
POTATO	MANTISSA	
EMIR	LOOKSAFTER	
LAIVE	ESTEE	FORE
FRED	SEERS	SPED

10/15/87

BRIDGE

By Alan Truscott

TEXTBOOKS on play regularly advise declarers to cash side-suit winners before embarking on a crossruff. This is sound policy, but as with almost all generalizations about the game, there are some exceptions. An example is the diagramed deal, played recently in a regional Swiss team championship in Albany, New York, with this writer in the South seat. With the vulnerability in their favor, North-South bounced into five clubs. A frustrated West kept on doubling, which was right in a sense. There was no game available to his side in spite of the 24 high-card points and the double fit in the red suits. But five clubs proved to be tricky. West led the spade king and shifted to a trump, giving South something to think about after winning the last two tricks. It would have been fatal to South to

follow general principles by cashing a spade winner before the crossruff. There was a winning defense but it was exceptionally difficult. At the fourth trick it was necessary for West to return a spade, cutting South's communications and making it impossible for him to take more than 10 tricks.

NORTH ID
Q J 7 5
Q 9 7 4
A 9 6 2

WEST
A K 2
A K 10 6
A 10 5 2
4

EAST
A 6 5 3
10 5 3
A 9 7 3
A 5 4

SOUTH
A Q 8 6 4
A K 10 8 7 3

East and West were vulnerable.
The bidding:
North Pass East Pass South Pass West Pass
West led the spade king.

High Low 2 P.M. C.P.

10/15/87

See Page 14

Oct. 13
Bradesco 16.50 18.50
Brahma 25.25 25.25
Carrasco 56.97 56.97
Petroleos 25.00 25.00
Venezuela 25.00 25.00

Surveys Index: 1,589
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Colombia 14.1

SPORTS



TURNING POINTS: Tony Pena, who had reached third base when right fielder Candy Maldonado misjudged his second-inning drive, scored Tuesday night's only run when José Oquendo flied out to shallow right — and Maldonado's throw pulled catcher Bob Melvin off the plate. Three innings later, San Francisco lost a scoring chance when, with none out and Melvin on second base and José Uribe on first, Terry Pendleton scooped up Dave Dravecky's would-be sacrifice bunt and threw to shortstop Ozzie Smith, right, forcing Melvin at third; the next two batters flied out to center field.



Tudor, 2 Relievers, Beat Giants; Cards Take Playoffs to Game 7

By Richard Justice
Washington Post Service

ST. LOUIS — John Tudor and two relievers pitched a six-hitter and the St. Louis Cardinals forced the National League championship series to a seventh game by beating the San Francisco Giants, 14-0, before 55,331 at Busch Stadium Tuesday night.

In a tense matchup that began with two of the game's best left-handers trading change-ups and strikeouts, the Cardinals scored the game's only run after right fielder Candy Maldonado misplayed Tony Pena's second-inning liner into a triple. Pena scored on José Oquendo's sacrifice fly, and Tudor, Todd Worrell and Ken Dayley made the run stand up.

Loser Dave Dravecky was outstanding again, going six innings and allowing five hits and striking out a season-high eight. In two playoff games, he allowed the punchless Cardinals one earned run (that on Maldonado's miss) in 15 innings.

Nonetheless, the best-of-seven series is tied 3-3, and the National League pennant was to be decided Wednesday night, with the Cardinals' Danny Cox going against left-hander Allee Hammaker.

"I'm still very confident," said Roger Craig, the San Francisco manager. "It's just going to be seven games instead of six, that's all."

Talk in the other clubhouse was also confident the kind that comes from having been here in 1983 and again in 1984.

"We're just going to go after 'em," Tudor said. "If they beat us, they beat us. We've met a lot of challenges this year. This is another."

The game was marred by four incidents involving the fans and San Francisco left fielder Jeff Leonard. A bell was thrown at him in the second inning, a wad of tape in the third and a paper airplane in

the fifth. Finally in the sixth, after a cup of beer was tossed while he was running down a foul ball in the corner, security people cleared several standing-room-only sections overlooking left field.

Incredibly, the Cardinals are within a game of their third pennant in six years despite a horrendous batting slump and without injured first baseman Jack Clark. Center fielder Willie McCovey has been slowed (0-for-13 against left-handed pitching) by a sore left wrist. And some of their healthy players haven't hit, including Tommy Herr (4-for-22) and Terry Pendleton (3-for-18).

For the series, the Giants have scored 23 runs, hit nine home runs and stolen five bases; the Cardinals have 17 runs, one homer and two stolen bases. "I might as well use the same lineup tomorrow," said Whitey Herzog, the St. Louis manager. "They got us another run."

Tudor went 7-1, allowing six hits and three walks. He struck out six, but when he walked Leonard with one out in the eighth, Herzog called for Worrell. He retired three straight batters, but when Craig sent Harry Spilman up to pinch hit with one out in the ninth, Herzog brought in left-hander Dayley — with Worrell moving to right field in case he was needed thereafter.

He wasn't. Chris Speier, who was sent up for Spilman, took a third strike and lost Uribe grounded out to end the inning.

Melvin and Uribe started the fifth with singles. But when Dravecky tried to sacrifice, he bunted too far along the third-base line. Pendleton threw Melvin out at third on a bang-bang play, shortstop Ozzie Smith covering. Tudor then got Robby Thompson and Kevin Mitchell on flies to center to end the inning.

"He was safe," Craig said of the play at third that nailed Melvin. Said Herzog: "It's about time a close call went our way."

Tudor's last flirtation with trouble was in the seventh. Melvin led off with his third single of the night and Eddie Milner was sent in as a pinch-runner. Uribe bunted Milner into scoring position, but Tudor got pinch-hitter Bob Brenly on an infield pop and Thompson on a strikeout.

Tudor was gone after walking Leonard with one out in the eighth. Herzog went for Worrell, and Craig sent up pinch-hitter Mike Aldrete. Worrell struck out Aldrete and got Chili Davis on a fly to left.

Soviet Horsemen Will Try Their Luck at D.C. International

By Vinnie Perrone
Washington Post Service

BALTIMORE — They sat in the Members Club at Pimlico on Monday, plates of chicken wings and ribcakes before them, watching the races with casual interest. "We ride the same way," jockey Mark Kozmarov said. "We even run in the same direction. But we never use a whip on 2-year-olds because of the reservation of animals. On younger horses, the whip is forbidden."

Kozmarov is one of five Soviets who arrived in Maryland Sunday to prepare for the \$750,000 Washington, D.C., International,

Laurel Race Course's 1½-mile (2,010-meter) turf classic Oct. 31. They traveled with two 3-year-old colts, Gjatsk, whom trainer Nikolai Nasibov said likely would start in the International, and Star, who would run if Gjatsk became ill or injured.

"We sent our two best," said Nasibov, who spoke through an interpreter along with colleagues Kozmarov, backup jockey Aleksandr Chugayevets, ministry of agriculture director Nikolai Makin and breeder Vladimir Shabunin.

Nasibov had a different vantage point the last time a Soviet horse raced in the International. It was 1965, and Nasibov, then 36 and riding in his eighth International, had 5-year-old Aniline in front until midstretch, when he was overtaken by the French entry Behistoun. Aniline finished second. Gjatsk, Nasibov said, "is probably a few seconds behind Aniline."

Unlike in many European countries, races in the Soviet Union are run almost exclusively on dirt. Nasibov said he would like to work the horses at least four times on grass before the International; neither colt has even trained on grass.

"If all goes well with Gjatsk, and he runs in the International, we would consider running Star in another race," Nasibov said. "Who knows? We might even use an American jockey on him."

According to Nasibov, Gjatsk has won three of five races and about \$10,000. In his last start, the 1½-mile Berlin International in Moscow Aug. 30, he finished second on a muddy track, about a length behind Star.

Nasibov said the long wait between International appearances was not of Soviet design. "It wasn't because of our reasons that we had a 21-year break," he said. "The Amer-

icans only asked for one horse; they didn't allow us to bring two horses."

Last year, Laurel owner Frank De Francis altered the International format, creating a two-tier purse system and reserving the right to invite three horses. A victory will be worth \$450,000 to a nominated horse, \$240,000 to an invitee. But all expenses are paid for those invited.

Makin said the ministry of agriculture endorsed this trip, and Nasibov wants to make the most of it. "We'd like to see some of the great farms and stallions of America," he said. "Who knows when we'll get the chance again?"

The game was marred by four incidents involving the fans and San Francisco left fielder Jeff Leonard. A bell was thrown at him in the second inning, a wad of tape in the third and a paper airplane in

LeMond Riding the Long Road Back

By Samuel Abt
International Herald Tribune

PARIS — Little by little, Greg LeMond said, it's all coming back.

First came most of the weight he lost after his shooting accident in April, then his muscle tone. Last was his cycling legs.

"I'm not there yet, nowhere near, but slowly I'm getting better," LeMond said Sunday just before the Cretel-Chaville bicycle race around the southern suburbs of Paris. "For somebody who didn't ride a race from March to September, I think I'm on track. This is all preparation for next year."

Next year — not the few weeks that remain of this season — will be his real comeback attempt, continued the 26-year-old LeMond, winner of the world championship road race in 1983 and the Tour de France, the world's greatest bicycle race, in 1986. As he put it: "All I'm trying to do is finish each race I'm in and just add a few more miles to my legs."

LeMond was to have gone to Italy on Wednesday for the Tour of Piedmont and the Tour of Lombardy, the last two races of the European season, which begins in February. But he woke up with a sore throat and canceled his trip. "I'm tired and have a cold," he explained. "Racing that hard Sunday put me under the weather for a couple of days."

Next Monday he flies home to the United States, but not for his usual winter hibernation. Instead, he has scheduled a race in Atlanta, some promotional appearances, continued road training in California, and a stage or multi-day race in Mexico. "By the end of November, I'll have 40 or 50 days racing in my legs," he said. That would be about a third of his usual quota. He plans to spend the winter at his new house in Minnesota, concentrating on cross-country skiing to strengthen his legs and respiratory system.

"It'll probably take me five or six months to reach a certain level — to increase my capabilities to where I was last year. By the time of the next Tour de France, it should be really no problem."

LeMond had to struggle partly through Sunday's 255-kilometer (158-mile) Cretel-Chaville race. A man who rarely met a hill he didn't like, LeMond was left behind on the climb up the Madeleine Hill in the village of Chevreuse. In the Tour de France, the Madeleine would rank as a minor difficulty.

"It took something out of me," he admitted after he had showered and changed into casual clothes for his car trip back to his home in Belgium. "Still, I did the race and that's what counts now — building my legs up. When you lay off, you lose a lot of muscle. When a race gets very intense, I max out a lot quicker."

He was more upbeat before the race while chatting about prospects with two teammates, Johan Lammerts, a Dutchman, and Canadian Steve Bauer. "What do you hope for?" LeMond asked Bauer.

"Top five," replied Bauer. "How about you, John?"

"Top three, maybe top one."

"Me, top 20," LeMond announced. "That would be an accomplishment, considering."

None of them fulfilled expectations. Bauer finished 22d, Lammerts 59th and LeMond was not in the first 60 across the line.

In that golden half hour before the start, LeMond took great comfort from his showing in the recent five-day Tour of Ireland, where he finished 44th. "I did better than half the field," he said. "A lot of people finished behind me."



Greg LeMond: "It's fair to say I'm satisfied."

SCOREBOARD

Baseball

Playoff Summary

NATIONAL LEAGUE

GAME 5 ST. LOUIS

AT BOSTON

WNL T 14 0 SF 10 2

